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Property Rights as a Precondition to Development:

A Case Study of Jamaica

A Thesis

Presented to the

McAnulty College and Graduate School of Liberal Arts

Duquesne University

In partial fulfillment of

The requirements for the degree of

Master of Arts

by

Leah M. Kral

March 17, 2006

ABSTRACT

Emerging research suggests that property rights play a significant role in the economic and social development of nations. To test this proposition, this study examines the case of Jamaica and whether there is a relationship between property rights and development. In order to carry out this investigation, this study gathers and analyzes existing research to:

1. define the extent that Jamaicans lack property rights and how this affects their everyday quality of life and vulnerability to poverty;
2. examine the relationship between the absence of property rights and underdevelopment; and
3. explore how the current international and local Jamaican policy environment is positioned to address an absence of property rights.

This research confirms that there is a significant proportion of Jamaicans who do not have access to property rights, that this is related to social and economic underdevelopment, and that the international and local policy environment does not sufficiently address the absence of property rights. As demonstrated by the case of Jamaica, development approaches and Government of Jamaica policy may need to be adjusted to include property rights.

This research involves four stages. Chapter Two provides an overview of the literature related to the study of property rights and development. Chapter Three estimates the extent of the absence of property rights in Jamaica and elaborates how this affects everyday quality of life regarding housing, work, security, and public infrastructure. Chapter Four explores the connection between Jamaica's lack of property rights and underdevelopment. Chapter Five examines the international and local policy environment to better understand the official response to the absence of property rights. Finally, the research concludes with policy recommendations for the Government of Jamaica, to establish a task force charged with property rights reform, to transform the political patronage system, and to creatively seek resources, funding and partnerships from donor nations and organizations.

Thesis Signature Page

Leah M. Kral

Property Rights as a Precondition to Development: A Case Study of Jamaica

Master of Arts

Thesis

3/30/06

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My thesis committee from Duquesne University has given freely of both time and expertise. I am profoundly grateful to Dr. Kent Moors, Dept of Political Science, and Fr. John Sawicki, C.S.S.P., Dept. of Political Science. Their guidance and insight was invaluable. Their influence will always be felt in the future work I do. Other special people I wish to acknowledge are those who have provided advice and help – Dr. Evan Stoddard, Associate Dean, Dr. Chikako Usui, Dept. of Sociology, and Dr. Michael Witter, Professor of Economics at The University of the West Indies. I wish to thank Dr. Karla Kral, Professor of Research Methods, University of Colima, my sister-in-law, friend, and conveniently for me, an expert in Latin American anthropology. I would like to thank Joe Nagle, a fellow Peace Corps Volunteer and professional photographer, for allowing me to use his beautiful photographs of Jamaica to illustrate this thesis. And finally, I am always grateful to my family and friends for being a never-ending source of love and sanity during such an intense learning process.

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CHAPTER 1: INTRODUCTION

Rationale and Research Question

Emerging research suggests that property rights play a significant role in the economic and social development of nations. To test this proposition, this study examines the case of Jamaica and whether there is a relationship between property rights and development. In order to carry out this investigation, this study conducts research in three stages by:

1. defining the extent that Jamaicans lack property rights and how this affects their everyday quality of life and vulnerability to poverty;
2. examining the relationship between the absence of property rights and underdevelopment; and
3. exploring how the current international and local Jamaican policy environment is positioned to address an absence of property rights.

Purpose of the Study

I was fortunate to reside in Jamaica recently for two years as a development worker, living alongside the poorest of Jamaica's population. What I found troubling was that most of the Jamaicans I knew existed outside of the legal system. They did not have land titles or legal business licensing. Most did not receive workplace benefits or labor protection. They were unable to access capital or loans because they do not own legal, formal security to be used for collateral. The illegal taxi cab drivers that my community relied on frequently bribed police officers in order to avoid jail and confiscation of their vehicles. Untaxed and unregulated street vendors risked being fined and their goods confiscated. Many Jamaicans whose homes were built in illegal squatter communities lived under the daily possibility of eviction or bulldozing.

To become legal required more money and resources than they had. It appeared to me that Jamaicans had no choice but to work, live and conduct their daily affairs in the black market economy. I couldn't understand why no apparent attention was being given to the issue by the government or by development agencies. I found that a rich assortment of field work, surveys and research have focused on *individual* issues typically assumed to be caused by poverty or culture. For

example, there are excellent studies exist on the issue of Jamaica's informal street vending, illegal transportation, or squatters. Distinct from those studies, this research is the first to treat these issues as pieces belonging to a larger puzzle, framing them under the overarching issue of property rights. In the context of Jamaica, this research is the first in its field.

This research confirms that there is a significant proportion of Jamaicans who do not have access to property rights, that this is related to social and economic underdevelopment, and that the international and local policy environment does not sufficiently address the absence of property rights. Based on this research it is reasonable to conclude that there exists a serious policy oversight by international donors and the Government of Jamaica. For decades, Western international governance bodies such as the World Bank, IMF and WTO have steered developing nations like Jamaica to implement market liberalization and democratization; however without the underlying foundation of property rights these reforms may result in damaging unintended consequences rather than hoped-for development. As Thomas Friedman argues in his recent bestselling books on globalization, implementing free market capitalism without strong institutions is the equivalent of purchasing new computer hardware without software.¹ As demonstrated by the case of Jamaica, development approaches and western advice may need to be adjusted to include property rights.

Methodology

The research design is constructed as a focused case study. Case studies are the preferred method when how and why questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context.² This study explores the sequence and structure of events and the testimony of actors to explain the

¹ Thomas Friedman, *The Lexus and the Olive Tree* (New York: Anchor Books, 1999),151; Ibid, *The World is Flat* (New York: Farrar, Straus and Giroux, 2004), 309-336.

² Robert Yin, *Applications of Case Study Research* (Thousand Oaks, CA: Sage Publications, 2003).

relationship between property rights and underdevelopment. Jamaica's historical record will serve as the data. The research incorporates secondary data such as interviews and surveys collected by field research professionals. The research also relies on existing sociological, anthropological, and economic analyses in academic journals, books, and occasional papers, and committee reports. Many of the sources are from the Government of Jamaica and multilateral development institutions. The research incorporates accounts from daily newspapers such as the *Jamaica Gleaner*, as well as the speech and writings of policy actors and everyday Jamaicans. In addition, my familiarity with Jamaican culture and the daily reality of hardships faced by Jamaicans helped in understanding the significance and context of the findings.

Because the study of property rights as an institutional problem is a relatively new field, development scholars have emphasized the need for country-specific case studies. "Country case studies show important links between good governance institutions and economic success, but they also highlight special features of each countries. The work of distilling general insights that are likely to remain valid for other countries is only just beginning."³

This research involves four stages. Chapter Two provides an overview of the literature related to the study of property rights and development. Chapter Three estimates the extent of the absence of property rights in Jamaica and elaborates how this affects everyday quality of life regarding housing, work, security, and public infrastructure. Chapter Four explores the connection between Jamaica's lack of property rights and underdevelopment. Chapter Five examines the international and local policy environment to better understand the official response to the absence of property rights. Finally, the research concludes with recommendations for Government of Jamaica policy makers.

³ Avinash Dixit, *Lawlessness and Economics* (New Jersey: Princeton University Press, 2004), 150.

Case Selection and Significance of the Research

Typical of Anglophone Caribbean nations, Jamaica's transition from a British colonial slave-holding nation to a modern, democratic capitalist economy has not been easy. Although an independent nation for 40 years, having been labeled a showcase World Bank and IMF client, and despite implementation of market liberalization and democratic reforms, Jamaica continues to struggle to overcome an inherited legacy of underdevelopment.

Jamaica is typical of Caribbean island economies that struggle as small closed markets with historical low growth rates and endemic unemployment. Jamaica's current unemployment rate is 15 percent, and 25 percent of Jamaicans live below the poverty line.⁴ In certain urban areas, the unemployment rate can be as high as 80 percent.⁵ Jamaican regulators have been skeptical of technology and innovation due to its adverse impact on jobs, resulting in Jamaica's industries becoming less competitive, and falling further behind in industrializing. And as for solutions, there is not yet a consensus on models for Caribbean development.⁶ The 2004 *CIA World Factbook* summarizes Jamaica's economic outlook as bleak:

Jamaica's economy faces serious long-term problems: high interest rates; increased foreign competition; a pressured, sometimes sliding, exchange rate; a sizable merchandise trade deficit; large-scale unemployment; and a growing internal debt, the result of government bailouts to ailing sectors of the economy. The ratio of debt to GDP is close to 150%. Inflation, previously a bright spot, is expected to remain in the double digits. Uncertain economic conditions have led to increased civil unrest, including gang violence fueled by the drug trade. In 2004, the government faced the difficult prospect of having to achieve fiscal discipline in order to maintain debt payments while simultaneously attacking a serious and growing crime problem which is hampering economic growth.⁷

Despite these disadvantages, it seems possible for Jamaica to become strategically positioned for economic development and global competition. The 2005 UNDP Human Development Report

⁴ Mark Wenner, *Microenterprise Development in Jamaica: Preliminary Assessment* (Washington DC: IADB, 1996).

⁵ United States Department of Commerce, *Foreign Economic Trends and their Implications for the United States – Jamaica, West Indies* (Washington, DC: International Trade Administration, 1986).

⁶ Anthony Payne, *Charting Caribbean Development* (The University Press of Florida: Gainesville, FL, 2001).

⁷ *CIA World Factbook*, (Washington DC, 2004).

ranks Jamaica as an MDC, or Middle Developing Country, as opposed to a Lower Developing Country. Jamaica possesses natural resources such as one of the world's largest natural harbors, the largest English-speaking population south of Miami, year-round tourism, bauxite, the key mineral to manufacture aluminum, and close proximity to the American and Canadian consumer markets. Additionally, Jamaica's banking sector is relatively well developed.⁸

And yet is Jamaica luring foreign direct investment? According to the United Nations 2002 World Investment Report, out of 140 countries, Jamaica is ranked 79th on the FDI (foreign direct investment) potential index, far behind Singapore and Taiwan.⁹ India is establishing English-language call centers and medical transcription services while Jamaica, a naturally English-speaking country, lags behind. Although Jamaica had a higher per capita GDP in the 1960s than did Singapore and South Korea, that is far from the reality today.¹⁰

This research examines whether the absence of property rights in Jamaica contributes to our understanding of such underdevelopment. The results have implications for Government of Jamaica policy, as well as multilateral and bilateral development policy, distribution of assistance and interventions. The Washington consensus ideology that dominates development policy may need to include necessary pre-conditions, such as property rights. Property rights have also become of interest to policy makers and researchers in security studies. Military strategists are recognizing that black markets provide the support and infrastructure for criminal and terrorist activities.¹¹ Theories and models that can shape policy to combat informal economies will be received with interest.

⁸Mitchell, Harold, *Politics and Economics in the Caribbean* (Athens, Ohio: Ohio University Press, 1968), 326.

⁹ United Nations, *World Investment Report* (Washington, D.C.: 2002), 25.

¹⁰ Donald Allen and Michelle Gyles, "Trade, Growth and Capital: A Case Study of Jamaica," (St. Louis: working paper for the St. Louis Federal Reserve, 1995).

¹¹ Geoffrey Demarest, *Mapping Colombia: The Correlation between Land Data and Strategy* (Washington, DC: military strategy paper for the Strategic Studies Institute, March 2003).

CHAPTER 2: LITERATURE REVIEW

This literature review is not intended to be an exhaustive review of existing research on property rights. Rather, it provides an overview of emerging knowledge regarding three key issues:

- I. Definition of property rights and the informal economy
- II. The difficulty of measuring property rights
- III. The relationship between property rights and economic development

I. Property Rights: Definition and Key Concepts

Property refers to the ownership of an asset or possession. There are different types of property. **Real property** is immovable and typically of high value, such as one's home, land, or commercial real estate. **Commercial property** might include inventory or business equipment such as machinery. Moveable **personal property** may include furniture. An example of **intangible property** would be the value of one's own labor and capacity to work. **Intellectual property** is a creation of the intellect that has value, for example artistic creations or business methods.

Property rights are referred to as a *bundle* of legal rights because there are multiple rights to one's assets.¹² These rights includes the right to use the property as one sees fit (subject to certain restrictions, such as zoning), the right to exclude others from using it, and the right to rent, transfer or sell it.

Property rights are different from mere possession in that a claim "will be enforced by society or the state, by customs or convention or law."¹³ Government institutions are integral to the definition and enforcement of property rights through the court system and police enforcement. As individuals compete for resources, an enforced property rights system provides externally imposed rules, laws or ordinances that minimize conflict over resources. This is not so for developing nations with weak institutions and limited resources. "If property rights are not well defined and enforced,

¹² Richard Pipes, *Property and Freedom* (New York: Random House, 1999); Terry Anderson and Fred McChesney, *Property Rights: Cooperation, Conflict and Law* (Princeton, NJ: Princeton University Press, 2002).

the incentive to take by threat or violence increases, with the predictable results that resource owners will invest less in developing their property or even keeping it up.”¹⁴

Property rights may exist in theory or may be written in constitutions, but may not be enforced, clearly defined, or accessible to the majority of the population. The driving focus behind this research is to gain an understanding of the widespread absence of property rights common in developing nations, how it affects people, and what governments can do about it.

II. The Difficulty of Measuring Property Rights

Where property rights are absent, the very nature of an illegal, unrecorded shadow economy makes it difficult to quantify and measure. Some compare it to speculating about the dark side of the moon. Institutions such as the Institutional Reform and the Informal Sector Research Center and United Nations Development Programme are currently in the process of developing metrics and indicators for property rights; however they are not yet available.

There are many obstacles to measuring the informal economy. There is overlap and cross-over between formal and informal sectors, such as when formal businesses engage in informal activities like paying employees under the table.

Data collection techniques such as surveys or direct interviews are problematic. Subjects are reluctant to voluntarily discuss their illegal activities such as living on captured land or running an unregistered business. People are not likely to candidly report untaxed personal income. Tax auditing methods used to measure the discrepancy between declared taxable income and actual

¹³ Richard Pipes, *Property and Freedom* (New York: Random House, 1999), xv.

¹⁴ Terry Anderson and Fred McChesney, *Property Rights: Cooperation, Conflict and Law* (Princeton, NJ: Princeton University Press, 2002), 6.

income also have inherent weaknesses. Tax auditing methods are likely to be biased because audits are typically selected upon suspicion of fraud.¹⁵

Given such empirical murkiness, researchers have designed creative techniques to measure property rights. Economist Hernando de Soto's research team investigated regulations and measured the costs and barriers for the everyday person in Peru to access property rights. They set up a fictitious clothing factory in Peru and went through the procedure of establishing it legally. The findings were published in *The Other Path*, which is recognized as the classic study of property rights. The research team found that it took 289 days to register the factory and took the full-time labor of the group assigned to the task, as well as \$1,231 (including expenses and lost wages), the equivalent of 32 minimum monthly wages. They researched legal housing and found that it would take six years and eleven months to navigate various ministries and municipal offices and cost approximately 56 times the minimum monthly wage. To get a license to sell goods from a pushcart required 43 days of commuting and a cost of 15 times the minimum monthly wage.¹⁶ The significance of de Soto's findings is that heavy regulatory burdens on legal business and home ownership make it practically impossible for the majority of people in developing nations to access legal property rights.

Also using creative research methods, researcher James Smith recognized that those operating illegally would be reluctant to be interviewed. Smith therefore estimated the size of the informal economy in the U.S. by interviewing families about the value and type of purchases they made from vendors selling goods and services.¹⁷ He was able to estimate that \$42 billion in informal economic activity took place in 1981 in the U.S., the majority of which were home repairs, food sales, childcare and domestic services.

¹⁵ Kevin McCrohan, James Smith and T. Adams, "Consumer Purchases in Informal Markets: Estimates for the 1980s, Prospects for the 1990s," *Journal of Retailing* 67 (1991): 22-50; and for a detailed review of measurement techniques for informal economies, see Friedrich Schneider, "Size and Measurement of the Informal Economy in 110 Countries Around the World" (Washington, D.C.: working paper for the World Bank, 2002).

¹⁶ Hernando de Soto, *The Other Path: The Invisible Revolution in the Third World* (New York: Harper and Row, 1989), xii.

Stephen Knack and Philip Keefer¹⁸ developed a property rights index using institutional indicators obtained from two private international investment risk services. They utilized the variables “expropriation risk” and “rule of law” as proxies for the security of property, “repudiation of contracts by government” as an indicator of contract enforcement, “corruption in government” and “quality of the bureaucracy” to represent the extent and damage of rent-seeking behavior, as well as “contract enforceability” “infrastructure quality” “nationalization potential” and “bureaucratic delays.”

Finally, a commonly used approach used by economists is the currency ratio model.¹⁹ This model relies upon the likelihood that those who conduct their affairs in the informal sector use under the table cash currency either to avoid detection, or because they lack access to checking accounts or credit cards. The currency ratio model studies the changes in currency holdings, or the ratio of noncurrency money to the total money supply. Using this method, economists conclude that an increase in the currency ratio indicates that more business is being transacted outside the regulatory framework.

III. The Relationship Between Property Rights and Economic Development

When using the term **development**, this research is referring to both economic and social development, typically measured in terms of jobs and income, but it also includes improvements in quality of life such as human development, social infrastructure, education, health, choice, and environmental sustainability.

¹⁷ James Smith, “Measuring the Informal Economy,” *The Annals of the American Academy* (1987): 84-99.

¹⁸ Stephen Knack and Philip Keefer, “Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures,” *Economics and Politics* 7 (1995): 207-227.

¹⁹ Karl Bennett, “Economic Decline and the Growth of the Informal Sector: The Guyana and Jamaican Experience,” *Journal of International Development* 7 (1995): 229-242; P.M. Guttman, “The Subterranean Economy,” *Financial Analysis Journal* 33 (1977): 24-27; Eric Feige, “Momentary Methods of Estimating Informal Activities in Developing Countries” in *Demographic Change and Economic Development*, Alois Wenig and Klaus Zimmermann, eds., (London: Springer, 1989).

Development experts and scholars have only recently recognized the relationship between property rights and development. Economist Douglas North pioneered the field of New Institutional Economics and linked country characteristics such as the security of property rights directly to the prosperity of nations.²⁰ Peruvian economist Hernando de Soto's research and policy recommendations on property rights have been implemented in his native Peru and other developing nations.²¹

Influenced by North, economist Avinash Dixit studied the problem of property rights and development in depth, and concluded: "anticipation of opportunism, theft, or extortion constitutes a strong disincentive to make potentially valuable investments or entering into mutually beneficial contracts in the first place. Therefore if market economies are to succeed, they need a foundation of mechanisms...to sustain adequate incentives to invest, produce and exchange. In other words, markets need the underpinning of institutions of economic governance."²² Economist Norman Loayza developed economic growth model formulas to study the effect of the informal economy and concluded, "...the relative size of the informal sector is negatively correlated with the rate of economic growth."²³

The 2002 Economic Freedom of the World Index²⁴ reports that between 1990 and 2000, nations that scored in the top fifth of the economic freedom rankings had secure property rights. Nations that had secure property rights had an average per capita income of US \$23,450, with an average economic growth rate of 2.6 a year. Nations that scored low on secure property rights had

²⁰ Douglass North, *Economics of Public Issues* (New York: Harper and Row, 1980); *ibid*, *Understanding the Process of Economic Change* (New Jersey: Princeton University Press, 2005).

²¹ De Soto, Hernando. *The Mystery of Capital: Why Capitalism Succeeds in the West and Fails Everywhere Else* (New York: Basic Books, 2000), 6; *Ibid*, *The Other Path: The Invisible Revolution in the Third World* (New York: Harper and Row, 1989).

²² *Ibid*, xii.

²³ Avinash Dixit, *Lawlessness and Economics* (New Jersey: Princeton University Press, 2004), 2.

²⁴ Norman Loayza, "The Economics of the Informal Sector: a Simple Model and Some Empirical Evidence from Latin America," *Carnegie Rochester Conference Series on Public Policy* 45 (1996), 142.

an average per capita income of US \$2,560, with an average negative growth rate of 0.9 percent.

Similarly, the Knack and Keefer property rights index described above revealed a correlation between under performing economies and low scores on property rights.²⁵

Seth Norton found that secure property rights have a positive relationship to environmental quality and human well being, including such factors as safe drinking water, sewage treatment access, and life expectancy. He summarized that "...property rights and its related construct, the rule of law, and...freedom from property rights attenuation, are all positively related to economic growth. Their absence leads to economic stagnation and decline."²⁶

Lack of secure property rights and large informal economies reduce government ability to collect taxes to provide public goods, services and infrastructure. Johnson, Kaufmann, and Zoido-Lobaton²⁷ found that countries with higher tax revenues have smaller informal economies.

Nations with large informal economies may be trapped in a dangerous underdevelopment cycle. Ybarra conducted a case study of informal businesses in Valencia Spain and found that the nature of informalization is self-reinforcing by strengthening "...its own rules: labor conditions erode and wages shrink; entrepreneurial efforts center on strategies to conceal clandestine activities more and better. This reduces or eliminates incentives for technological progress, innovation, and investment."²⁸ A study of informal economies in 25 countries found quantitative evidence that "...once established, the shadow economy is hard to remove."²⁹ In 2001, seventeen developing

²⁴ James Gwartney and Robert Lawson, *The Economic Freedom of the World: 2002 Annual Report* (Vancouver: Fraser Institute, 2002).

²⁵ Stephen Knack and Philip Keefer, "Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures," *Economics and Politics* 7 (1995): 207-227.

²⁶ Seth Norton, "Property rights, the environment, and economic well-being" in *Who Owns the Environment?* Peter J. Hill and Roger E. Meiners, eds., (Lanham, Md: Rowman and Littlefield Publishers, Inc., 1998), 44.

²⁷ Simon Johnson, Daniel Kaufmann, and Pablo Zoido-Lobaton, "Corruption, Public Finances and the Unofficial Economy" (Washington, D.C.: working paper for The World Bank, 1998).

²⁸ Josep-Antoni Ybarra, "Informationalization in the Valencian economy: A Model for Underdevelopment" in *The Informal Economy*, Alejandro Portes, Manuel Castells and Lauren Benton, eds., (Baltimore, MD: Johns Hopkins University Press, 1989), 224.

²⁹ Clifford Zinnes and Yair Eliat, "The Shadow Economy in Transition Counties: Friend or Foe? A Policy Perspective," *World Development* 30 (2002): 1233.

countries had seen an actual decline in the security of property rights.³⁰ If an absence of property rights exists in a self-perpetuating cycle, then it is of the utmost importance that governments recognize the problem. Property rights will not become accessible to the majority of a nation's citizens without intervention.

To conclude, the current literature presented here provides an overview of existing scholarship regarding the definition of property rights, strengths and weaknesses of various research methods for the measurement of property rights, and evidence of a connection between property rights and development. It is upon this foundation of knowledge that we launch our exploration of property rights in Jamaica.

³⁰ Gerald O'Driscoll, Kim R. Holmes, and Melanie Kirkpatrick, *Index of Economic Freedom* (Washington, D.C.: Heritage Foundation and *Wall Street Journal*, 2001).

CHAPTER 3: THE ABSENCE OF PROPERTY RIGHTS IN JAMAICA: A PORTRAIT

I. Absence of Property Rights for Housing and Land

A functioning property rights system for housing and land is often taken for granted in the developed West. It provides a legal

foundation that enables

unambiguous and secure ownership

of property, the ability to build equity

and establish collateral for credit,

increased likelihood of investment in

repairs and upgrades, increased

likelihood to be compliant with

zoning and environmental



Figure 2. Informal housing in Old Harbour, Jamaica.
Photograph by Joe Nagle, 2003.

regulations, more years of education for children, and lower birth rates.³¹ The United Nations

Economic and Social Council strongly affirmed the importance of property rights to enhance

development:

No country can sustain stability within its boundaries, or economic development within the wider world, unless it has a land rights policy that promotes internal confidence among its people, its commercial enterprises, and its government. Recognizing that land is a source of wealth lies at the heart of good government and effective public administration. States that prosper promote widespread and secured private ownership of land as a foundation of social and economic policy.³²

³¹ United Nations Economic Commission, "Social and Economic Benefits of Good Land Administration" (working paper, 1998); Economic Report of the President, "The Benefits of Land Titles," (Washington, D.C.: U.S. Printing Office, 2005); Gershon Feder and Akihiko Nishio, "The Benefits of Land Registration and Titling: Economic and Social Perspectives," *Land Use Policy* 15 (1999): 25-43; Louis DeAlessi, "Gains from Private Property: The Empirical Evidence" in *Property Rights: Cooperation, Conflict, and Law*, Terry L. Anderson and Fred S. McChesney, eds., (Princeton, N.J.: Princeton University Press, 2003); Sebastian Galiani and Ernesto Schargrodsky, "Property Rights for the Poor: Effects of Land Titling" (working paper, August 9, 2005).

³² United Nations Economic Commission, "Social and Economic Benefits of Good Land Administration" (working paper, 1998).

In marked contrast, in a nation like Jamaica where property rights for housing and land is inaccessible to the majority of its population, the government is overwhelmed by problems created by widespread informal housing development. These problems include illegal building, environmental degradation, unplanned urban and rural development, squatting, occupation of flood prone areas, or inadequate infrastructure such as roads, sewage or utilities.

As recently as 2002, the Jamaican Ministry of Land and Environment estimated that 50-70 percent of housing development takes place outside the formal legal system.³³ Rapid urbanization has particularly amplified mass informal building in Jamaica's major cities of Kingston and Montego Bay. The population of the Kingston metropolitan area increased from 379,980 in 1960 to 868,653 in 2001, much of which resulted in rapid informal housing development.³⁴ A geographer's case study of the rapid urbanization of Montego Bay concluded that the total population living in newly constructed informal shantytowns was 20,100, or 40 percent of the city. The same author's study of Spanish Town found that 36 percent of homes were built informally on captured or rent land.³⁵

Of Jamaica's estimated one million parcels of land, 450,000 have been formally registered at some point in time; however many of those registered titles are likely to be outdated after sale or subdivision. The Jamaican government acknowledges that poor institutional infrastructure is a significant cause of the inaccessibility and unaffordability of land to a large portion of the population, particularly low-income households. According to the Ministry of Land and Environment, "...the unavailability of legally accessible and affordable land has contributed to the chronic problems of

³³ Jacqueline DaCosta, "Integrating Land Issues into the Broader Development Agenda: Case Study Jamaica" (paper presented by Ministry of Land and Environment, Jamaica for Regional Workshop on Land Issues in Latin America and the Caribbean. Pachuca, Mexico, May 19-22, 2002), 6.

³⁴ Colin Clark and David Howard, "Class, Unemployment and Housing Problems in Kingston, Jamaica since Independence," (working paper, Nd).

³⁵ Alan Eyre, "The Shantytowns of Montego Bay, Jamaica," *Geographical Review* 62 (1972): 394-413; Ibid, "The Internal Dynamics of Shanty Towns in Jamaica," *Caribbean Geography* 1 (1984): 256-270.

squatting and other illegal development on both government and private lands, sometimes under severely precarious and environmentally unfriendly conditions.”³⁶

The *Jamaica Gleaner* interviewed Glendon Newsome, senior lecturer in the Department of Building and Land Management at the University of Technology and vice-president of the Land Surveyors Association of Jamaica. Newsome stated that the absence of ownership titles has created uncertainty for thousands of Jamaicans. He elaborated: “For a small farmer, registration of a square of land - about say one tenth of an acre, can cost as much as the value of land... Fees charged by the attorney, land surveyor and titles office vary according to the value of the land. But legal experts explained that the cost of acquiring titles has been known to run anywhere from \$30,000 to more than \$100,000 - sometimes costing as much as the value of the land.”³⁷

High cost therefore is likely to be the reason why so many Jamaicans do not have formal property rights to their homes and land. The minimum total cost associated with bringing the smallest parcel of land under The Registration of Titles Act (where there is no complexity) is approximately US \$900 or J\$45,000.³⁸ Considering that Jamaica’s GDP per capita is \$3,005,³⁹ \$900 is an impossible figure for the majority of Jamaicans to afford. Few Jamaicans have access to credit or mortgages, therefore land registration expenses must be paid up front and out of pocket. Typical expenses include the cost to survey the land at a minimum of US \$300, transfer taxes, stamp duties for property registration regularization, sub-division approval fees, and Natural Resource and Conservation Authority permit fees, not to mention additional legal service costs.

A recent letter to the editor in *The Jamaica Gleaner* illustrates a citizen’s frustration at delays and his distrust of the bureaucracy:

³⁶ Jacqueline DaCosta, “Integrating Land Issues into the Broader Development Agenda: Case Study Jamaica” (paper presented at the Regional Workshop on Land Issues in Latin America and the Caribbean, Pachuca, Mexico, May 19-22, 2002), 16-17.

³⁷ “Thousands Occupy Lands without Ownership Proof,” *Jamaica Gleaner*, July 8, 2001.

³⁸ Jacqueline DaCosta, “Country Experience in Land Issues,” (working paper for USAID, April 23, 2003), 28.

³⁹ UNDP, *Human Development Indicators 2003*.

THE EDITOR, Sir:

IT WOULD appear that many attorneys-at-law have a vested interest in an inefficient legal system and should the system become reasonably efficient, then many of them would be without a job. Attorneys-at-law comprise 20 per cent of the representatives in Parliament and if they were really interested in improving the system, they could easily do so. Maybe they can earn more money in an inefficient legal system...in the area of conveyancing/real estate, a straightforward transfer of land involving a free title and a cash purchaser is taking 60 to 90 days to be completed. If the transfer entails the purchaser securing a mortgage then we are looking at an average period of five months for completion, if you are lucky...The attorneys seem happy and relaxed with the situation as it is and conveniently blame the Stamp Commissioner's Office and the Titles Office for the lengthy delays...I do not get the impression that the Bar Association, attorneys-at-law and financial institutions are even agitating for improvements. Is it that they benefit financially from the inefficiencies of these organisations? If not, I urge them to petition the relevant authorities for improvement in these departments.

I am, etc.,

CONCERNED CITIZEN⁴⁰

Zoning and building codes are too cumbersome and costly to be reasonably observed.

According to one researcher, a modest house that met the standards of the Kingston Development Order would only be affordable to the earners in the top 15 percent bracket. Additionally, the process to apply for subdivision required redundant referrals to multiple outside agencies.⁴¹ The lack of an automated cadastral system and numerous of legal and administrative complexities imply that it can take two to three years for a business or household to acquire clear title to a parcel of land it wants to develop.⁴²

Jamaica's primary system for distributing housing and mortgages is through publicly managed government housing schemes. Remarkably, even those who live in government housing schemes often lack legal property rights. The Ministry of Land and Environment estimates that as many as 50,000 parcels of land in government housing schemes and land settlements do not have

⁴⁰ "Inefficient legal system," *Jamaica Gleaner*, January 23, 2004.

⁴¹ Urban Institute, "Jamaica: The Urban Management Gap" in *Urbanization in the Caribbean: Prospects and Management Priorities* (Washington DC: The Urban Institute, 1990).

⁴² Ibid.

formally issued land titles. If even the government itself is unable to provide land titles for its own properties, one can imagine the likelihood of the average Jamaican acquiring a land title.

It is not surprising that citizens find creative ways around the system. Economists predict that high opportunity costs result in a search for alternative ways to achieve the task at hand. The following *Jamaica Gleaner* article illustrates how most people grease the wheels of the bureaucracy to obtain land titles:

Titles fraud 'could run into billions'
 MASSIVE fraud at the Land Titles Division of the National Land Agency (NLA) which may have cost billions of dollars in lost tax revenues is outlined in a report now before the Cabinet... "The losses could run into billions," one informed Government source told *The Sunday Gleaner* on condition of anonymity ... "The slowness and inefficiencies of the system lends itself to corruption because people cut corners to get their things done and one thing leads to another."⁴³

In a study of the relationship between class, unemployment, housing and services, the researcher searched for correlations between 100 different variables in Jamaica, and concluded that "...it seems safe to conclude that poor quality housing in Kingston, involving rental and squatting, is rooted in low occupational status (mostly in the informal sector)..."⁴⁴ This indicates that the same people who are living in extra-legal housing are also working in extra-legal employment, discussed in the next section.

⁴³ "Titles fraud 'could run into billions,'" *Jamaica Gleaner*, February 24, 2002.

⁴⁴ Colin Clarke and David Howard, "Class, Unemployment and Housing Problems in Kingston, Jamaica since Independence" (working paper, Nd.), 18.

II. *Absence of Property Rights Related to Labor and Self-Employment*

In economies where property rights are firmly established, legal rules guide contracts between



Figure 3. Jamaican Street Vendor.
Photograph by Joe Nagle, 2003.

buyers and sellers regarding the purchase, use or sale of goods or assets. There are enforceable contracts between employers and employees over labor laws, wages, health insurance, pensions, and safety. There are agreements regarding the extension of credit to customers or suppliers and legal penalties for failure to pay. Compliance with regulations and taxes, and security and protection from theft is assumed by most of the population. In markets operating under property rights systems, if expectations for product quality are not met, consumers have confidence that the faulty product can be returned for replacement or refund.

None of the above described rules for exchange can be counted on in economies where property rights are lacking, undefined, or not enforced. Without property rights, developing nations inevitably contain a small legal formal economy counterbalanced by a massive informal economy.

The **informal economy** can be used interchangeably with other terms such as invisible, black market, parallel, hidden, submerged, shadow, irregular, non-official, unrecorded, or clandestine.⁴⁵ Informal economies typically include masses of people employed in low wage and unlicensed work, and where a large proportion of unregulated businesses operate with cash transactions under the

⁴⁵ *Institutional Reform and the Informal Sector Research Center Glossary* (University of Maryland, Nd).

level of taxing and regulatory monitoring and with undefined liability. Where “...rights to these possessions are not adequately documented, these assets cannot readily be turned into capital, cannot be traded outside of narrow local circles where people know and trust each other, cannot be used as collateral for a loan, and cannot be used as a share against an investment.”⁴⁶

When individuals operate outside the legal, formal economy, they typically do not have access to the protection of their property, which in this case is their labor. They lack social protections such as benefits, overtime pay, health insurance, social security, vacation time or protection from long work hours. They can be arbitrarily fired, mistreated, or discriminated against; they can be shortchanged on promised compensation.

Patricia Anderson’s study of Jamaica’s transportation system included interviews of 293 informal drivers and workers. She found that 97.9 percent were paid in cash as a “deliberate attempt by the employers to avoid any form of record-keeping or proper accounting system, in order to evade the payment of income taxes.” Informal workers are therefore vulnerable to discrepancies. Her study included an interview with an informal minibus worker who described how he had no recourse when he was underpaid by his employer: “...him just fling it in mi hand and sey ‘gwan.’”⁴⁷

⁴⁶ Hernando De Soto, *The Mystery of Capital: Why Capitalism Succeeds in the West and Fails Everywhere Else* (New York: Basic Books, 2000), 6.

⁴⁷ Patricia Anderson and Hilary Bailey. *Mini bus ride: a journey through the informal sector of Kingston’s mass transportation system* (Kingston, Jamaica: Institute of Social and Economic Research, University of the West Indies, 1987), 87-88.

World Bank Economist Friedrich Schneider conducted an analysis to measure the size of the informal economies of 110 countries. He combined the currency ratio method (growth of large bills used in economy) with a physical input method to find the difference between the officially registered GDP and the cross-rate of total electricity consumption to detect the growth of the informal economy. Using this method, Schneider concludes that Jamaica's informal economy was 36.4 percent of GNP in 2000. All countries have informal economies of various sizes, and Jamaica falls in the mid-range (see Table 1).⁴⁸

Table 1. Shadow Economies in Percent of GNP 1999/2000

Country	Shadow Economy
Georgia	67.3% (highest)
Azerbaijan	60.6%
Bolivia	67.1%
Jamaica	36.4%
Mexico	30.1%
Chile	19.8%
France	15.3%
Switzerland and United States	8.8% (lowest)

Source: Schneider (2002: 6-19, Tables 3,5,7 and 9)

Various researchers utilizing different methods place the size of Jamaica's informal economy between 30 to 50 percent of the labor force. As an example, the Microenterprise Unit of the Inter-American Development Bank estimates that between 16 and 38 percent of the total active labor force is employed in microenterprises, the vast majority of which are unregistered and informal (95 percent).⁴⁹ Table 2 provides a summary of eight different approaches that estimate the size of the informal economy in Jamaica. Despite large variances in the estimates of each approach, all methods reveal a significant growth in the informal economy over the last several decades.

⁴⁸ Friedrich Schneider, "Size and Measurement of the Informal Economy in 110 Countries Around the World" (working paper for the World Bank, 2002).

⁴⁹ Mark Wenner, "Microenterprise Development in Jamaica: Preliminary Assessment" (Washington, D.C.: working paper for IADB, 1996).

Table 2. Various Estimates of the Size of Jamaica's Informal Economy – all demonstrating growth over time.

Year	Statin; Self- Employed	Anderson Witter	Spath	Bennett (Feige)	Witter/ Kirton (Gutman)	Witter/ Kirton (Feige)	Kirton (Gutmann)
1962					8.0	18.0	
1963					9.0	21.0	
1964					11.0	25.0	
1965					13.0	31.0	
1966					10.0	23.0	
1967					12.0	28.0	
1968					6.0	14.0	
1969					6.0	13.0	
1970					12.0	28.0	
1971					11.0	27.0	
1972	27.8				21.0	53.0	
1973					17.0	41.0	
1974			28.9		17.0	43.0	
1975	29.7				17.0	43.0	15.3
1976					18.0	46.0	
1977	30.3	18.5		50.5	10.0	23.0	
1978			38.5	26.1	3.0	7.0	
1979			39.3	41.6	9.0	21.0	
1980	31.7		39.6	41.6	18.0	44.0	15.7
1981				42.8	20.0	50.0	
1982	32.4			50.0	24.0	64.0	
1983		20.7		47.1	23.0	59.0	
1984				49.3	24.0	63.0	
1985	33.5	22.5		53.1			23.0
1986				51.7			23.5
1987				56.1			26.0
1988	33.3			53.6			24.5
1989	31.4	23.4		78.1			39.4
1990	32.1						
1995							
1996							
1997							
1998							
1999							
2000							
2001							
2002							

Sources: Bennett (1991:14, Table 5), Kirton (1991:71, Table 3), Witter and Kirton (1990:7, Table 2.1), Statistical Institute of Jamaica (1973: 31 Table 12), Anderson and Witter (1991:83, Table IV; 64, Table 4.6), Spath (1984:75 Table 2), Sander (1992: 111a, Table V.4).

Patricia Anderson adapted labor market survey data into an index that includes characteristics of Jamaica's informal labor market. Anderson combined data from The National Mobility Survey and a Manpower Utilization and Training Needs Survey. The combined index allowed Anderson to estimate that 48 percent of the labor force operated within the informal economy in 1984.⁵⁰ Table 3 summarizes Anderson's findings on Jamaica's labor market. The illustration is helpful because the small size of the formal economy becomes quickly visible compared to the large size of the informal sector demonstrated by the first two columns on the left (Informal and Secondary Formal). Anderson's category of the secondary formal sector is semi-informal, composed of domestic workers with limited worker benefits and protections.

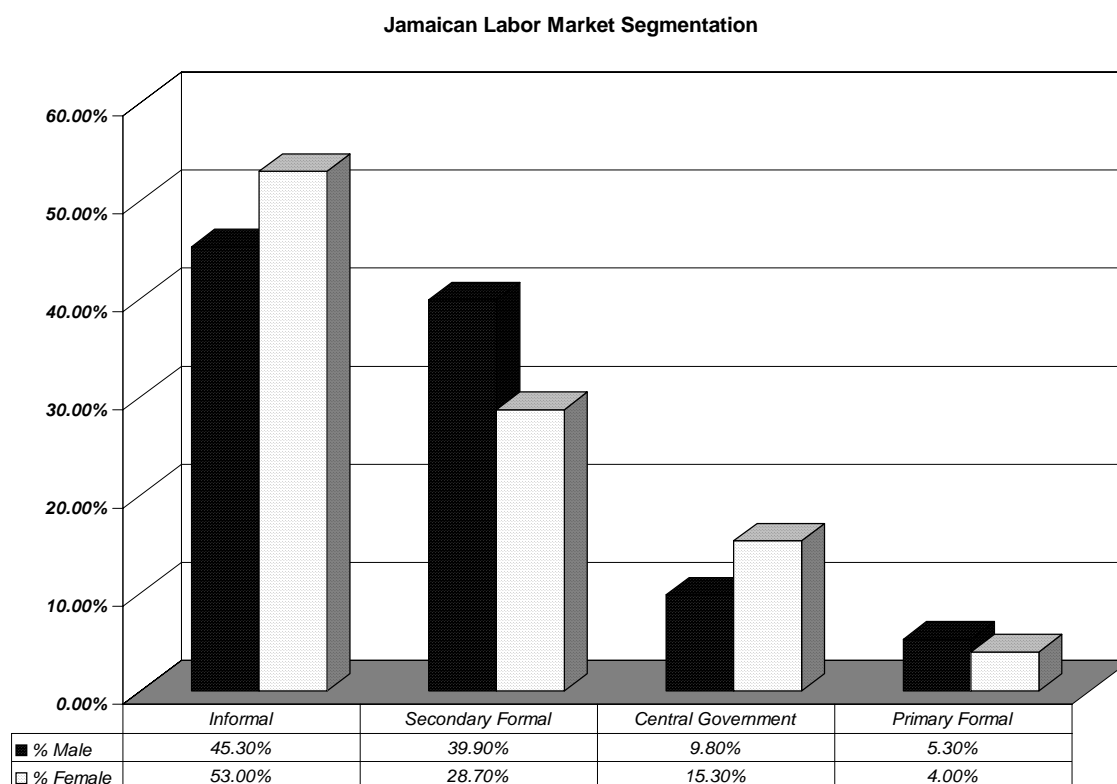


Table 3. Distribution of Workers by Labor Market Sector

Source: Anderson (1987:161)

⁵⁰ Patricia Anderson, "Informal Sector or Modern Labour Market? Towards a Synthesis," *Social and Economic Studies* 36 (1987): 149-176.

Considerable field research has been conducted to understand Jamaica's informal economy.⁵¹

To summarize the findings, a large portion of the informal sector includes those who are self-employed in petty trade such as sidewalk vendors and **higglers** (individuals specializing in a particular type of trading, often importing and selling foreign commercial goods). The informal sector operates along a continuum of illegality, for example a portion of the informal economy includes transactions in illegal substances such as ganja, cocaine or crack, pirated CDs, or illegal services such as prostitution.

On the opposite end of the continuum are those who make transactions with non-criminal goods but are unregistered or unregulated, such as the selling of brooms, arts and crafts, peanuts, roasted fish, jerk chicken and pork, domestic produce such as fresh fruit and vegetables, clothing, coal, empty bottles or newspapers. A large portion of the informal economy are those employed in domestic services such as gardening, hand-laundering clothes, cooking and cleaning of homes, care of children and other dependent persons. Other examples of informal service employment may involve unregistered taxi and minibus drivers, vehicle windshield washing at traffic lights, “watching” parked vehicles, vehicle repair, construction and appliance repair.

⁵¹ Patricia Anderson, “Informal Sector or Modern Labour Market? Towards a Synthesis,” *Social and Economic Studies* 36 (1987): 149-176; Patricia Anderson and Hilary Bailey, *Mini Bus Ride: a Journey through the Informal Sector of Kingston's Mass Transportation System* (Kingston, Jamaica: Institute of Social and Economic Research, University of the West Indies, 1987); Michael Witter, “The Role of Higglers/Sidewalk Vendors/Informal Commercial Traders in the Development of the Jamaican Economy” (Kingston, Jamaica: working paper for the University of the West Indies, 1988); Janet Jalloul, “The Informal Sector in Kingston: a Description of Literacy, Educational Attainment, and Occupational Skills” (PhD diss., American University, 1988); Victoria Durant-Gonzalez, “Higgling: the Rural Women and the Internal Market System in Jamaica” in *Rural Development in the Caribbean*, P. Gomes, ed., (New York: St. Martins Press, 1985); Neil De Marchi and Mary Morgan, eds., *Higgling* (Durham and London: Duke University Press, 1994); Ruth McLeod, “Low Income Shelter Strategies in Kingston, Jamaica: Solutions of the Informal Sector” (Kingston, Jamaica: working paper prepared under contract to USAID, 1988); Elsie LeFranc, “Petty Trading and Labour Mobility: Higglers in the Kingston Metropolitan Area” in *Women and the Sexual Division of Labour in the Caribbean*, Keith Hart, ed., (Kingston, Jamaica: Consortium Graduate School of Social Sciences, The University of the West Indies, 1989); Faye Harrison, “Women in Jamaica's Urban Informal Economy: Insights from a Kingston Slum” in *Blackness in Latin America and the Caribbean*, Arlene Torres and Norman Whitten, eds., (Bloomington, IN: Indiana University Press, 1988): 414-435; Melvin Edwards, *Jamaican Higglers: Their Significance and Potential* (Norwich, England: Centre for Development Studies, 1979); Alan Eyre, “The Shantytowns of Montego Bay, Jamaica,” *Geographical Review* 62 (1972): 394-413.

Anderson's findings that there are more women in the informal economy than men are compatible with Jamaican Department of Statistics data stating that the rate of formal unemployment for Jamaican women (39 percent) is more than twice as high as that for men (16 percent).⁵² Another Jamaica-based survey found that 80 percent of higglers and 52 percent of sidewalk vendors are women. For all categories of higglers the majority of the women were the sole support for their children, on average, 4.5 children per higgler.⁵³

Based on interviews, one researcher found that 70 percent of higglers were formerly unemployed and felt they had no alternative, and that those who went into higglering did so because of "unemployment, business failure, illness of a partner, too old, or not qualified to do anything else, or dislike for domestic work."⁵⁴ Start-up

capital typically comes from personal savings, or credit from family and friends. Petty traders and higglers have low-income occupations, earning less or near to the minimum wage, although this data should be cautioned by noting that reported income was self-disclosed and may tend to be

Table 4. Average Monthly Income by Labor Market Sector, reported in Jamaican dollars.

Labor Market Sector	Average Monthly Income
Primary Formal	\$1051.66
Central Government	\$645.12
Secondary Formal	\$447.21
Large Agriculture	\$325.90
Informal	\$248.93

Source: Anderson (1987: 167)

underreported. Those employed in the informal economy typically are low-income, living near or below the poverty line. Jobs in the informal sector may pay 60 percent less on average than those in the formal sector.⁵⁵ Table 4 displays the differences in income compared across sectors.

⁵² Statistical Institute of Jamaica, "Statistical Abstract" (Kingston, Jamaica, 1978), 26.

⁵³ Victoria Durant-Gonzalez, "Higglering: the Rural Women and the Internal Market System in Jamaica" in *Rural Development in the Caribbean*, P. Gomes, ed., (New York: St. Martins Press, 1985).

⁵⁴ Michael Witter and C. Kirton, "The Informal Economy in Jamaica, Some Empirical Exercises" (Kingston, Jamaica: working paper for the University of the West Indies, 1990), 18.

⁵⁵ Carmen Deere, ed., *In the Shadows of the Sun: Caribbean Development Alternatives and U.S. Policy* (Boulder: Westview Press, 1990), 69.

According to a report by an officer of the United Vendors' Association, there are 15,000 higgler sellers in Parade (a busy market area in downtown Kingston) and adjoining areas. Based on reported data that each higgler supports 4.5 children on average, Witter approximates that Kingston higglering alone supports 67,000 people or about three percent of the population.⁵⁶

Although most Jamaicans support informal vendors by buying from them, most public statements and news stories portray them negatively. "Higglers have been repeatedly accused by the spokesmen of the manufacturers of undercutting the local market with cheap imports...there are frequent reports in the media of 'aggressive' behaviour by higgler at both Jamaican and foreign airports...According to a Stone Poll, 70% of the public supported the government's attempts...to remove the higgler from the streets."⁵⁷

What may seem insensitive, intolerant and contradictory can be explained by problems created by informal businesses. In the absence of regulation for businesses, streets can become chaotic and unsafe, leading to dangerous traffic congestions, or environmental hazards. A *Jamaica Gleaner* news story provides an example:

Brown's Town bus park losing thousands of dollars

THE BROWN'S Town municipal bus park in St. Ann is losing thousands of dollars monthly...lost over \$3,000 in May, and Mayor Giscombe disclosed in a statement today that much of the ongoing loss was accumulated by huge garbage clean-up bills. He says the excessive garbage results from too much illegal selling at the bus park, which is also being used as a prime illegal municipal garbage dump.⁵⁸

⁵⁶ Michael Witter, "The Role of Higgler/Sidewalk Vendors/Informal Commercial Traders in the Development of the Jamaican Economy"(Kingston, Jamaica: working paper for the University of the West Indies, 1988), 6.

⁵⁷ Ibid, 10-11.

⁵⁸ *Jamaica Gleaner*, "Brown's Town bus park losing thousands of dollars," (August 26, 2003).

According to the World Bank, Jamaica has an uncompetitive high cost economy, with a fairly high ratio of taxes (25-26 percent) and high wages in the formal sector, which has reduced demand for labor in the formal private sector. Many Jamaicans feel that it is futile to even attempt to search for a formal job. This may explain why so many have moved into the informal economy to survive.

There is little incentive for informal businesses to register and become formal. Table 5 highlights

Table 5 Jamaica Business Regulation.
Rating is measured 0-10, 10 being highest.

Criteria	Rating
Extension of Credit to Private Sector	3.7
Regulation of Business – Price Controls	4.3
Administrative Obstacles for New Businesses	4.0
Time Spent with Government Bureaucracy	1.8
Ease of Starting a New Business	4.2
Irregular Payments to Government Officials	5.0

Source: Gwartney and Lawson (2004: 105).

Jamaica's rankings in the 2004 Economic Freedom of the World Report for various institutional and bureaucratic constraints facing entrepreneurs. The World Bank reported that in international comparisons of selected governance indicators, Jamaica ranked 38 out of 100 countries for the extent of bureaucratic red tape, which may further lessen the incentive for the informal self-employed to legally register their businesses.

Also affecting the business environment is corruption...bribery and lack of transparency in government contracts are considered by Jamaicans to be important problems. Jamaica ranks poorly in perceptions of favoritism shown by government officials towards well connected firms and individuals when deciding upon policies and contracts. This is closely linked with the pressure exerted on businesses by the protection racket, and reflected in the high perceived costs imposed on businesses by organized crime (such as racketeering and extortion).⁵⁹

⁵⁹ World Bank, *The Road to Sustained Growth in Jamaica* (Washington, D.C.: World Bank, 2004), 117.

III. Access to Property Right-Based Infrastructure

Police Protection

Those who work in the informal sector, especially women, are vulnerable to theft and extortion. Because they are not operating legally registered businesses, they are naturally reluctant to seek protection from police or the court system. Often they must resort to bribery to police or suffer fines and confiscation of their goods. If they become victims of crime, it is doubtful that they would report the crime to the police. In a survey of 200 Kingston informal businesses, 15 percent of respondents stated

Table 6. Summary of Most Significant Problem Experienced by Workers in the Kingston Informal Sector.

Most Significant Problem	Percentage
Slow Business	31.5%
Low Income	17.0%
Police Harassment	15.0%
Inflation	13.5%
Competition	8.5%
Poor Transportation	5.0%
No Shelter	3.0%
Long Working Hours	2.0%
No Problems	1.5%
Other Problems	3.0%

Source: Jalloul (1988: 105).

that police harassment was their most significant problem (see Table 6). During the 1980s, official Jamaican government policy was to clear all of Kingston's streets of informal sector vendors by 1990, for the purpose of urban beautification to lure foreign investment.⁶⁰ As police attempted to enforce this policy, tensions worsened.

Victoria Durant-Gonzalez is an anthropologist who lived amongst higglers for eighteen months to study their way of life. She found that many higglers spend four days a week gathering and buying produce in the rural communities where they live, and then travel to Kingston for the remaining three days a week to sell their goods. They deal with inadequate transport, and unsanitary and unsafe conditions. "They sleep at the market in conditions that are extremely harsh and inadequate, when the service they perform as major food distributors for the nation is considered. Women are to be seen sleeping on cold cement floors, on top of boxes, or nodding off while sitting on stools. Some protection from guards is available, but it is minimal; as a result the higglers are

constantly exposed to thieves and violence.”⁶¹ For those who work in the informal economy, police crackdowns, rather than protection, are frequent. A *Jamaica Gleaner* news story illustrates the clash between police and street vendors, and the determination felt by each side:

Cops crack down on illegal vending

THE RURAL town of Christiana was paid a visit by the members of the anti-vending unit in the Jamaica Constabulary Force...sent scores of vendors, who were peddling their wares on Wildman Street and in the yard of the market, running in various directions as they made attempts to prevent their goods from being seized. A number of vendors voiced their disgust with the frequent visits being paid by the anti-vending unit. "Dem come here yesterday, cut up the stalls them, run we into the market, seize some of us goods and them still *come back* today. What we do why them coming here so often?" questioned one vendor... Sergeant Farquharson, of the Island Special Constabulary Force (ISCF), based at Harman Barracks, told The Gleaner ... that the unit would continue to visit Christiana, Spaldings and all towns where street vending is a problem until the illegal practice is stamped out.⁶²

Safe Transportation and Roads:

Transportation available to Jamaicans is mostly operated informally, outside formal regulation, licensing and taxation. Jamaicans can't count on predictable timetables or regular routes because drivers change routes to avoid police. Financial incentives motivate drivers to load vehicles to above-capacity, with passengers sometimes hanging out of open bus doors or children sitting in open taxi trunks. These vehicles are then driven at aggressive speeds on dangerous road conditions. A study of Jamaica's informal transportation system concluded: "the large number of serious road accidents involving minibuses, as well as the tragic deaths of school-children who fell from overcrowded buses, further served to underline the need for improvement in the system."⁶³

Drivers often carry weapons (machetes or guns) for protection, particularly when driving through unsafe neighborhoods at night. An additional danger comes from legal taxi operators who

⁶⁰ Janet Jalloul, "The Informal Sector in Kingston: a Description of Literacy, Educational Attainment, and Occupational Skills" (PhD diss., American University, 1988), 38.

⁶¹ Victoria Durant-Gonzalez, "Higglering: the Rural Women and the Internal Market System in Jamaica" in *Rural Development in the Caribbean*, P. Gomes, ed., (New York: St. Martins Press, 1985), 121.

⁶² "Cops crack down on illegal vending," *Jamaica Gleaner*, June 4, 2003.

pay the fees for licensing and insurance and resent the loss of passengers to cheaper illegal taxis. At times this tension erupts into open conflict. Drivers regularly use intimidation and violence towards competing drivers, often parking minibuses in such a way to block other vehicles to load up their passengers first. Bus parks are some of the most violent places in Jamaica, yet they are an unavoidable reality for most commuters, including school children.

Massive uncontrolled informal housing developments result in the government's inability to plan and zone roads. Poor roads are extremely vulnerable to flooding, and such conditions affect everyone. People can't get to work, and children can't get to school. Parents



Figure 3. Poor road conditions due to unplanned development.
Photograph by Collin Reid, Associated Press, 2002.

sacrifice to send their children to the best schools, often requiring travel over long distances. Drivers will tend to charge excessive fares or even refuse to go into some communities. It is common for people who work in Kingston to commute daily from places as distant as Mandeville (65 miles to

⁶³ Patricia Anderson and Hilary Bailey, *Mini Bus Ride: a Journey through the Informal Sector of Kingston's Mass Transportation System* (Kingston, Jamaica: Institute of Social and Economic Research, University of the West Indies, 1987), i.

the west), despite poor road conditions.⁶⁴ Transportation costs for some shanty town dwellers have reached as high as 44 percent of take home pay.⁶⁵

Poor roads create severe problems for the agriculture industry. The following account describes the inefficient methods that farmers are relegated to due to poor road infrastructure:

The farmers have developed ways of adjusting ... (a) in the event of a landslide they have to work as a group to clear the roads in order to return to normality as soon as possible (b) they stay overnight in local marketplaces (c) they pool their transportation of produce to the marketplace (d) they rely on home made handcart and donkeys; and they transport produce on their heads along rugged paths.⁶⁶

The combined factors of poor roads, unregulated transportation, lawlessness and crime not only affect the ability to move people and goods, but affect the tourism industry. Jamaica's economy is heavily dependent on tourism. Note the travel warning that the U.S. Department of State provides to U.S. citizens considering travel to Jamaica:

Nighttime driving is especially dangerous and should be avoided whenever possible. As noted above in the section on Crime, public buses are often overcrowded and they are frequently a venue of crime. Travelers who use taxicabs should take only licensed taxicabs having red-and-white PP license plates... Most roads are paved, but suffer from ill repair, inadequate signage and poor traffic control markings. City roads are often subject to poorly marked construction zones, pedestrians, bicyclists, and, occasionally, livestock. Street corners are frequented by peddlers, window washers, and beggars walking among stopped cars.⁶⁷

Physical Infrastructure and Utilities:

Alan Eyre, a Geographer who has conducted multiple case studies of informal housing provided the following description of a Kingston informal community:

...basic amenities and services are uneconomical, temporary and piecemeal in nature, and inefficient in operation. Laments are frequent and often justified about water, sewage, flood control, garbage disposal, and lighting. There is no fire station, and the

⁶⁴ Colin Clarke and David Howard, "Class, Unemployment and Housing Problems in Kingston, Jamaica since Independence" (working paper, Nd.)

⁶⁵ Alan Eyre, "The Effects of Political Terrorism on the Residential Location of the Poor in the Kingston Urban Region" *Urban Geography* 7 (March 1986): 227-241.

⁶⁶ Jamaica Sustainable Development Network, "Sustainable Agriculture" (working paper, Nd).

⁶⁷ U.S. Department of State, "Consular Information Sheet – Jamaica" (Washington, D.C.: US Department of State, Bureau of Consular Affairs, 2005).

police operate from a converted trailer. Storm water floods homes irregularly but seriously. Public transportation is a nightmare, as none originates in the settlement. Consequently buses pass through in an already grossly overcrowded condition. Residents state that three hours is not an unusual length of time to wait in a morning for transportation to school or to work.⁶⁸

Informal housing developments are built outside the regulatory environment, and lack proper zoning, water and sewage infrastructure. A USAID survey of 677 informal households in Kingston found that the factors cited most frequently as things that respondents disliked about where they lived were: violence, flies pollution, garbage and rats, with violence being cited in all areas surveyed.⁶⁹ The survey found that although 90 percent of the residents obtain water from the public water supply in one way or another, 35 percent accessed water piped into shared yards rather than into their homes. The Urban Institute found that there are some cases where water must be carried three miles from the nearest standpipe, and in other cases one standpipe may serve as many as 2000 people.⁷⁰ Thirty percent of the households shared bathing facilities, and 45 percent of households relied on toilets used by sixteen people or more. A heavy reliance on pit latrines (47 percent) has increased ground water pollution.⁷¹

Given the lack of clear ownership and addresses for billing and payment collection, utility companies find it difficult to provide services to informal housing developments. At times utility companies threaten to withdraw completely from specific urban neighborhoods due to widespread utility theft, as illustrated by a news story in *The Jamaica Gleaner*:

JPSCo cuts 300 illegal connections

THE JAMAICA Public Service Company (JPSCo) disconnected nearly 300 illegal electrical connections..."For years we have been trying to get rid of illegal connections. What we have now is a more concerted effort to continuously carry out raids to deter people from connecting illegally and reduce the propensity for future

⁶⁸ Alan Eyre, "Quasi-Urban Melange Settlements: Cases from St. Catherine and St. James, Jamaica," *Caribbean Review* 8 (1979), 98.

⁶⁹ Ruth McLeod, "Low Income Shelter Strategies in Kingston, Jamaica: Solutions of the Informal Sector" (Kingston, Jamaica: working paper prepared under contract to USAID, 1988).

⁷⁰ Urban Institute, "Jamaica: The Urban Management Gap" in *Urbanization in the Caribbean: Prospects and Management Priorities* (Washington, D.C.: The Urban Institute, 1990).

⁷¹ Ibid, 114.

electricity thieves," Major George Kates, General Manager of JPSCo's Asset Protection Department said. ... "In Montego Bay there are softer areas where we can go without police but there are some no-go terrains where we just can't go unless we have a strong detachment of police."⁷²

Chapter Conclusion

The research gathered in this chapter demonstrates the extent of the widespread absence of property rights in Jamaica. It affects Jamaicans' everyday quality of life regarding housing, work, security, and public infrastructure. By most estimates, 50-70 percent of housing is outside the legal regulatory structure, as well as approximately 50 percent of the labor force. Without protection of their property, many Jamaicans are more vulnerable to crime, inadequate housing and infrastructure, and unprotected labor. Chapter four explores the relationship between this widespread lack of property rights and economic underdevelopment in Jamaica.

⁷² "JPSCo cuts 300 illegal connections," *Jamaica Gleaner*, October 3, 2003.

CHAPTER 4: HOW THE ABSENCE OF PROPERTY RIGHTS INHIBITS DEVELOPMENT IN JAMAICA

Economic Growth in Jamaica over the last Several Decades

There is a rapidly growing consensus that economic growth remains the best antipoverty program in the world.⁷³ “Evidence suggests that growth is by far the most effective way of alleviating poverty in the developing world. With growth comes rising incomes...food, medical care and clothing...tax revenues that can be spent on public goods like clean water and decent schools.”⁷⁴

Between 1952 and 1972, Jamaica was the model of successful development and growth. Much of this success can be attributed to several key economic driver industries. Jamaica was the world’s leading producer of bauxite and aluminum, which experienced tremendous growth during and post WWII, tourism was flourishing, as was business and investor confidence. With a real GDP growth of more than six percent a year, Jamaica was considered an economic miracle.⁷⁵

This pattern changed dramatically in 1972, after which point Jamaica’s growth rate has been negligible. Table 7 provides data on Jamaica’s recent growth rate, which the World Bank summarizes: “measured GDP growth has been disappointing since 1972, and was negligible over the 1990s despite high measured rates of investment.”⁷⁶

Table 7. Jamaica and GDP

Year	1990	1995	1996	1997	1998	1999	2000	2001	2002	Avg 95-02
GDP growth, annual % change	5.5	0.5	-1.3	-2.0	-0.5	-0.4	0.7	1.7	1.0	0.0

Source: World Bank (2004: 12 Table I)

This sudden change in growth can partially be explained by external macroeconomic and geopolitical conditions. As an import-dependent, monocrop economy (cane sugar), Jamaica has

⁷³ Thomas Friedman, *The World is Flat* (New York: Farrar, Straus and Giroux, 2004), 315.

⁷⁴ “The G8’s African challenge,” *The Economist Online*, July 7 2005.

⁷⁵ Carl Stone and Stanislaw Wellisz, “Jamaica” in *Five Small Open Economies: A World Bank Study*, Ronald Findlay and Stanislaw Wellisz, eds., (New York: Oxford University Press, 1993), 140.

always been vulnerable and dependent on external conditions. As markets have opened over the last several decades, the world began buying sugar from other Latin American countries that produced less expensive beets sugar rather than from cane. Energy shocks have had a dramatic effect on Jamaica; a sudden rise in the price of oil in 1974 increased the nation's energy import bill from J\$65 million to J\$177 million.⁷⁷

During the Cold War era, Jamaica's domestic politics affected its relationship with its primary benefactor, the United States. Michael Manley's PNP party, a democratic socialist regime, took office in 1972. Manley's administration flirted with Cuban style socialism, resulting in severe repercussions for Jamaica's economy. Capital flight ensued, with an estimated net private capital outflow of US \$412 million between 1976 and 1980.⁷⁸ As investment dwindled, Jamaica's relationship with Washington D.C. became strained. Widespread political unrest, crime and violence brought about a decline in tourism. Additionally, Manley imposed a bauxite levy that resulted in U.S. aluminum companies such as Alcoa replacing Jamaica with Australian suppliers of bauxite.⁷⁹

During Manley's regime, Jamaica failed IMF financial performance tests and loans were suspended. Between 1977 and 1990 there were a series of complimentary and interlocking agreements: IMF agreements, World Bank structural adjustment loans, sector adjustment loans and programs, IDB adjustment loans and USAID conditionality. Conditionality typically hinged around market liberalization and austerity measures, to which the Marxist-Leninist leaning Manley regime was unreceptive.

The general election of 1980 swept Edward Seaga's JLP party into power, more closely aligned with capitalism. Cuban diplomats were expelled, relations resumed with Washington D.C.,

⁷⁶ World Bank, *The Road to Sustained Growth in Jamaica 2004* (Washington, D.C.: World Bank, 2004).

⁷⁷ Anthony Payne, *Charting Caribbean Development* (Gainesville, FL: The University Press of Florida, 2001), 72.

⁷⁸ Patricia Anderson and Michael Witter, "Crisis, Adjustment and Social Change" in *Consequences of Structural Adjustment: A Review of the Jamaican Experience*, Elsie Le Franc, ed., (Kingston, Jamaica: Canoe Press, 1994), 11.

⁷⁹ Carl Stone and Stanislaw Wellisz, "Jamaica" in *Five Small Open Economies: A World Bank Study*, Ronald Findlay and Stanislaw Wellisz, eds., (New York: Oxford University Press, 1993), 182.

and investment began to seep back into Jamaica. Reagan himself personally petitioned U.S. investment banks and the private sector to take an interest in Jamaica. Interestingly, the IMF did not impose the same harsh conditionality on Seaga's regime as it enforced upon Manley's socialist government in the 1970's.⁸⁰ In fact, "...in the late 1980s when the IMF required the Jamaican government to increase capital reserves held in banks, USAID lent Jamaica millions of dollars to pass the IMF tests."⁸¹ Despite the regime change, Seaga's regime inherited a "...virtually insolvent economy."⁸² Despite significant economic reforms that met the approval of the IMF, at best Seaga's government "...managed to arrest Jamaica's economic deterioration. But the recovery was far from spectacular."⁸³ Macroeconomic conditions continued to haunt Jamaica, particularly the fall in world demand for aluminum.

In the mid 90's, Jamaica experienced a severe financial crisis attributed to speculative lending paired with weak institutions and poor credit decisions. Mass insolvencies were bailed out by the Government of Jamaica, leading to the enormous government debt of 150 percent of GDP. Today Jamaica has one of the highest debt ratios in the world, and has never recovered from its financial crisis.⁸⁴

At present, the World Bank attributes Jamaica's poor growth performance to several factors: lack of competitiveness due to a high government debt burden, high costs due to soaring crime rates, an adverse external climate, an internal financial crisis, and financial liberalization unaccompanied by appropriate regulatory strengthening. Although the World Bank's conclusions do not make an overt connection to property rights, the relationship becomes apparent with a closer

⁸⁰ Anthony Payne, *Charting Caribbean Development* (Gainesville, FL: The University Press of Florida, 2001), 108.

⁸¹ Thomas Klak, "Excluding the Poor from Low Income Housing Programs: The Roles of State Agencies and USAID in Jamaica," *Antipode* 24 (1992), 91.

⁸² Carl Stone and Stanislaw Wellisz, "Jamaica" in *Five Small Open Economies: A World Bank Study*, Ronald Findlay and Stanislaw Wellisz, eds., (New York: Oxford University Press, 1993), 205.

⁸³ Ibid, 205.

⁸⁴ World Bank, *The Road to Sustained Growth in Jamaica 2004* (Washington, D.C.: World Bank, 2004), 85-98.

analysis. The remainder of this chapter examines how the absence of a functioning and enforced property rights system affects access to credit, corruption, business investment climate, and government ability to collect taxes, all of which negatively affect growth.

Property Rights and Access to Credit

Based on studies of small businesses in Jamaica, it is clear that there is severely limited access to credit. Without credit, businesses are not able to invest in and expand their operations, hire employees, or buy needed materials to turn into products.⁸⁵ This widespread lack of credit is closely related to the absence of property rights. A land title is typically required by banks as secure collateral for loans. Without collateral, banks are highly unlikely to take on the risk of a loan.

In de Soto's study of the informal economy, he predicts that without property rights and access to credit, small businesses are relegated to small local circles of trust where they get credit from their vendors and where they in turn provide credit to trusted local customers. LeFranc's study of 866 Jamaican higglers found this to be the case; 89 percent of higglers operated within a 10 mile radius, and their only credit came from trusted friends and their vendors, not from banks.⁸⁶

A comparative study of small business formation in Barbados, Jamaica and Trinidad concluded that "Jamaica has been the least hospitable state to small enterprise development"⁸⁷ particularly due to the lack of access to credit from commercial lenders. The study reported that amongst the small businesses participating in the survey, 80 percent of capital came from the owner's savings, relatives or friends, and only 13.9 percent of capital came from commercial bank lending. A separate survey

⁸⁵ For a case study of a Jamaican street vendor's business growth after he received an influx of capital, see Huon Wardle, "Marshy and Friends: Informality, Deformalisation and West Indian Island Experience," *Social Identities* 8 (2002): 255-270.

⁸⁶ Elsie LeFranc, "Petty Trading and Labour Mobility: Higglers in the Kingston Metropolitan Area" in *Women and the Sexual Division of Labour in the Caribbean*, Keith Hart, ed., (Kingston, Jamaica: Consortium Graduate School of Social Sciences, The University of the West Indies, 1989).

⁸⁷ C.M. Henry, "Capital availability, small business formation and performance in Barbados, Jamaica and Trinidad: an Empirical Foray," *Social and Economic Studies* 39 (1990), 11.

of 866 higgler in Kingston found that only four percent of the respondents relied on banks and formal lending institutions because credit simply was not available to them. Rather, they relied on their own savings, loans from family or friends, or credit from the supplier of goods.⁸⁸ Similarly, a survey of 200 self-employed Kingston workers found that “The most expressed need was for small-scale loans to expand stock and enlarge the businesses; none of those in the study was able to meet that need.”⁸⁹

There are several reasons why credit is not widely available. First, Jamaica’s high debt burden ties up most investment capital and prevents small business loans from being able to jumpstart private sector growth. Jamaica’s debt, at 150 percent of GDP, is amongst the highest ratios in the world, which affects the availability of credit to the private sector. The World Bank explains that “...with high and relatively risk-free returns on government debt, banks have become more reluctant to lend to private firms, especially small firms and start-ups, which constrains a potentially vibrant source of GDP and export growth.”⁹⁰

A second factor affecting access to credit is a lack of collateral when property such as homes, land or business assets is not legally documented. Banks are unlikely to provide credit without secure collateral. For example, as Jamaica opened its agricultural markets to free trade, farmers were unable to borrow against their land to modernize and compete because they did not have land titles as collateral.⁹¹ A survey of 677 informal Kingston households concluded:

The main constraint resulting from lack of formal employment is that it tends to make it extremely difficult to access formal financial systems for credit purposes. Insurance, mortgage financing, income generating loans, and overdrafts are not

⁸⁸ Elsie LeFranc, “Petty Trading and Labour Mobility: Higgler in the Kingston Metropolitan Area” in *Women and the Sexual Division of Labour in the Caribbean*, ed. Keith Hart (Kingston, Jamaica: Consortium Graduate School of Social Sciences, The University of the West Indies, 1989).

⁸⁹ Janet Jalloul, “The Informal Sector in Kingston: a Description of Literacy, Educational Attainment, and Occupational Skills” (Ph.D. diss., American University, 1988), iii.

⁹⁰ World Bank, *The Road to Sustained Growth in Jamaica 2004* (Washington DC: World Bank, 2004), 6.

⁹¹ Carl Stone and Stanislaw Wellisz, “Jamaica” in *Five Small Open Economies: A World Bank Study*, Ronald Findlay and Stanislaw Wellisz, eds., (New York: Oxford University Press, 1993); Compton Bourne, “Structure and Performance of Jamaican Rural Financial Markets,” *Social and Economic Studies* (1983) 32: 1-22.

eagerly extended to those without proof of “respectable” i.e. formal employment status...Few formal financial institutions for instance take their services to the informal markets where most of the informal sector’s economic activity takes place.⁹²

Banks are unwilling to take on high risk. Without legally registered titles there is no mechanism or authority to foreclose or evict those who do not pay their mortgages. The lack of a credit reporting system creates moral hazard; those who default do not face risk or consequences. With payments based on an honor system it is not surprising that 94 percent of NHT (National Housing Trust) government housing scheme mortgages were not up to date in 1988 and 28 percent were one year or more in default.

Without widespread credit, Jamaica has been unable to develop a flourishing mortgage market. Mortgage markets are critical to a functioning economy, providing a credit engine for the construction industry to grow, as well as providing a method for savings and investment as homeowners build equity over time.

In sum, a widespread absence of property rights has affected access to credit in Jamaica, creating repercussions that negatively affecting growth. Without credit, there is less investment in business growth and jobs, preventing businesses from enlarging beyond their respective community environments.

⁹² Ruth McLeod, “Low Income Shelter Strategies in Kingston, Jamaica. Solutions of the Informal Sector” (Kingston, Jamaica: working paper prepared under contract to USAID, 1988): 33.

Property Rights, Corruption and Crime

See them fighting for power
 But they know not the hour
 So they bribing with
 Their guns, spare-parts and money
 Trying to belittle our integrity
 They say what we know
 Is just what they teach us
 Thru political strategy
 They keep us hungry
 When you gonna get some food
 Your brother got to be your enemy
 -Bob Marley⁹³

Corruption is generally regarded as one of the most serious obstacles to development, and Jamaica is no exception. On the surface Jamaica appears to have a functioning democracy, with two parties, freedom of speech, and a 2002 election that was recognized as fair by the Carter Center.⁹⁴ However, clientelism more accurately describes Jamaica's political system. Clientelism is a form of institutional machine politics, an unofficial system of political organization based on patronage, the spoils system, and behind-the-scenes control behind the facade of a representative democracy. A dissertation study of Kingston's political patronage system explained: "Clientelist politics tend to develop when there is a small elite group with access to material resources and a large group in need of material relief."⁹⁵

In the absence of legally secure property rights for land, homes and business property, the political patronage system and entrenched government corruption fills the void with distribution of homes and jobs, based on an exchange of favors, such as voting for specific political parties.

Researchers Bratton and Van de Wall distinguished an African neopatrimonial regime type where

⁹³ Bob Marley, lyrics to "Ambush in the Night" from the album *Survival* (Kingston, Jamaica: Tuff Gong Recording Studio, 1976).

⁹⁴ Carter Center, "Pre Election Statement on Jamaica Elections" (Atlanta: Carter Center, May 31, 2002).

⁹⁵ Amanda Sives, "Changing Patrons, from Politician to Drug Don: Clientelism in Downtown Kingston, Jamaica," *Latin American Perspectives* 29 (2002): 72.

the executive maintains authority by dispensing personal patronage.⁹⁶ This is particularly relevant to Jamaica given its historical and cultural African legacy and a population that is 91 percent of African heritage. Jamaicans themselves commonly refer to their clientelistic system as political tribalism.

Numerous studies on political corruption in Jamaica provide detailed accounts:

What emerged in Jamaica in the 1950s and 1960s, despite superficial similarities to the political norms of Western liberal democracy, was a clientelistic style of politics, whereby the political elite functioned as brokers, channeling state patronage both to the depressed masses and to the capitalist class.⁹⁷

Most important, the PNP (People's National Party) and JLP (Jamaican Labour Party) are both committed to the intensive use of political patronage; that is to say, the scarce benefits that flow from government policies and expenditure in the form of jobs, housing, contracts, and so on should be allocated to party supporters. In a sense, it is possible to view the two-party system in Jamaica as a continuing struggle between rival patronage machines (emphasis added).⁹⁸

Provision of homes and jobs became a major political exercise carried out for the benefit of supporters of the victorious party.⁹⁹

In reality, there is little difference between Jamaica's two parties. There is little intra-party competition and both are famous for being heavily and openly engaged in patronage. This may explain why no grassroots efforts or political pressure groups exist in Jamaica to pressure for reforms that make property rights more accessible. As a study of Kingston's political dons finds, "The ability to contain radicalism either by absorbing it, repressing it, or ensuring that it never surfaces has been one of the key strengths of the Jamaican elite. The political parties have played the crucial role in ensuring that this occurs, and clientelism has been a key element in this strategy."¹⁰⁰ There is evidence that clientelistic systems lead to decreased mobilization and increased territorialism

⁹⁶ Michael Bratton and Nicholas van de Walle, "Neopatrimonial Regimes and Political Transitions in Africa" *World Politics* 46 (July 1994).

⁹⁷ Anthony Payne, *Charting Caribbean Development* (Gainesville, FL: The University Press of Florida, 2001), 67.

⁹⁸ Carl Stone and Stanislaw Wellisz, "Jamaica" in *Five Small Open Economies: A World Bank Study*, Ronald Findlay and Stanislaw Wellisz, eds., (New York: Oxford University Press, 1993), 145.

⁹⁹ Alan Eyre, "The Effects of Political Terrorism on the Residential Location of the Poor in the Kingston Urban Region" *Urban Geography* 7 (March 1986), 228.

¹⁰⁰ Amanda Sives, "Changing Patrons, from Politician to Drug Don: Clientelism in Downtown Kingston, Jamaica" *Latin American Perspectives* 29 (May 2002), 69.

“as the poor focus their political energies on acquiring handouts and gaining the attention of the political bosses.”¹⁰¹

Jamaica’s patronage political system has a historic legacy of offering jobs, homes, local infrastructure, and at times weapons, in exchange for loyalty or votes.

Elections are especially violent times in Jamaica

(see figure 4).



Figure 4 Military presence during elections in inner city communities.

Photograph by Andres Leighton, Associated Press, 2002.

Jamaican Army soldiers patrol the Trench Town neighborhood in Kingston, Jamaica, Tuesday, Oct. 15, 2002 a day before the general elections. Some 25,000 police and military personnel will be on hand during the Oct. 16 election.

Garrison communities are entire gang-controlled neighborhoods that vote as a block for a candidate in exchange for benefits, with heavily armed *badmen* or dons in control.¹⁰² Bob Marley’s lyrics describe the plight of impoverished Jamaicans caught in the crossfire of political violence. When a Jamaican garrison neighborhood marks its borders with green JLP graffiti, PNP supporters enter those communities on risk of their lives (see figure 5). Not unrelated, Jamaica’s pervasive high

¹⁰¹ Derek Gordon, Patricia Anderson, and Don Robotham. “Jamaica: Urbanization During the Years of Crisis” in *The Urban Caribbean: Transition in the New Global Economy*, Alejandro Portes, Carlos Dore-Cabral, and Patricia Landolt, eds., (Baltimore: Johns Hopkins University Press, 1997), 192.

¹⁰² James Kerr, “Behind Jamaica’s Garrison Parts I – V” (Kingston, Jamaica: working paper for the Jamaica National Committee on Political Tribalism, 1997); Colin Clarke and David Howard, “Class, Unemployment and Housing Problems in Kingston, Jamaica since Independence” (Kingston, Jamaica: working paper, Nd.); Alan Eyre, “Quasi-Urban Melange Settlements: Cases from St. Catherine and St. James, Jamaica,” *Caribbean Review* 8 (1979): 95-100;

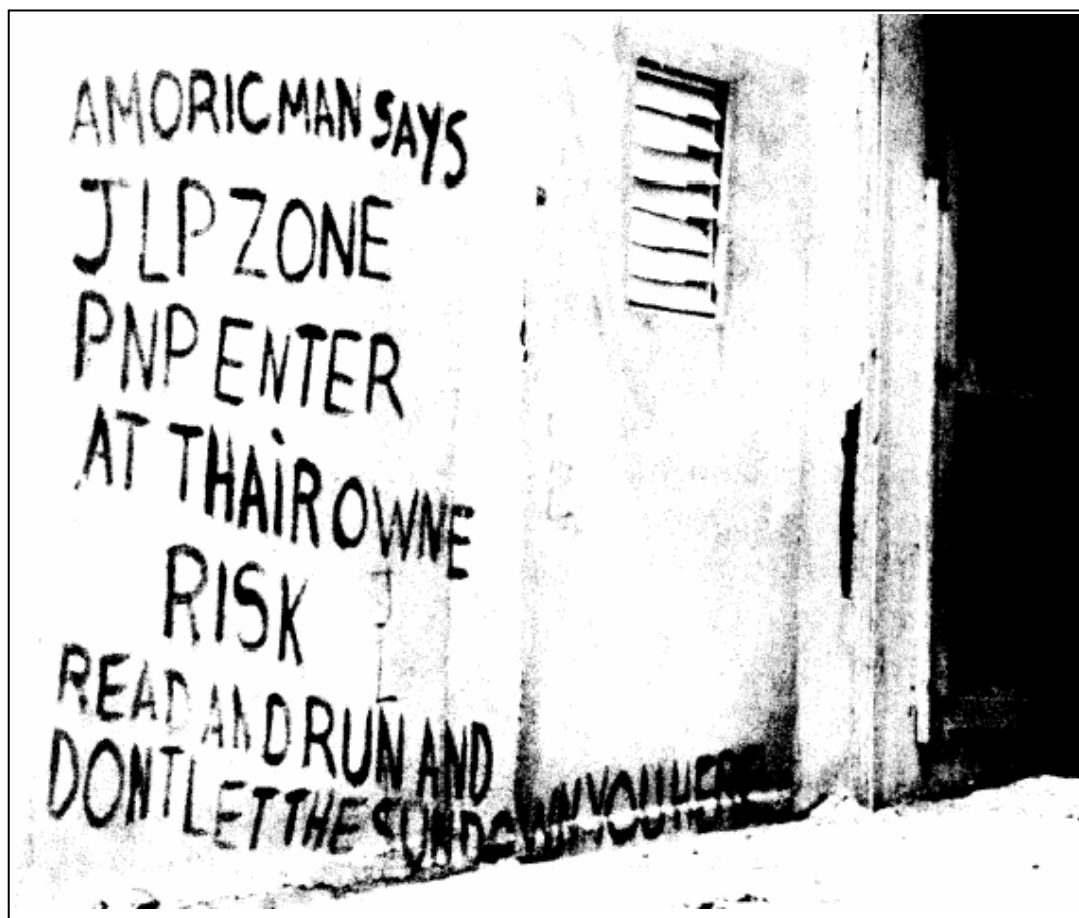


Figure 5. Political graffiti marking the JLP side of the border in an informal community in Kingston. Photograph by Alan Eyre, 1984.

crime rates include the third highest homicide rate in the world, and looting, arson, theft, powerful organized crime, extortion and fraud are rampant.¹⁰³

The systemic problems of the absence of property rights, corruption, and vulnerability to crime mutually reinforce each other. There is evidence that the level of patronage or clientelism within a nation's political system positively influences the size of the informal sector.¹⁰⁴ A lack of

Obika Gray, "Rogue Culture or Avatar of Liberation: The Jamaican Lumpenproletariat," *Social and Economic Studies* 52 (2003): 1-33.

¹⁰³ World Bank, *The Road to Sustained Growth in Jamaica 2004* (Washington, D.C.: World Bank, 2004).

¹⁰⁴ Peter Evans, "Predatory, Developmental, and Other Apparatuses: A Comparative Political Economy Perspective," *Sociological Forum* 4 (1989): 561-587; David Kang, *Crony Capitalism: Corruption and Development in South Korea and the Philippines* (New York: Cambridge University Press, 2002); Stephen Knack and Phillip Keefer, "Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures"

property rights makes people more vulnerable to corruption and crime. It is the lawless zones of squatter communities populated by informal workers that are most likely to be garrison communities. Where they do not have access to police protection from the state, people will resort to seeking protection from the crime underworld. Local political chieftains or drug dons fill this void, as explained by a geographer's survey of political terrorism in Kingston slums:

Security often becomes a paramount consideration in residential location. The choice is often between residing in the perceived relative safety of a high density urban location protected by organized para-military, vigilante, or private security organizations, or living in a peripheral location which may be far from the main foci of conflict but yet offers less protection from specifically directed terrorist attacks.¹⁰⁵

Lacking protection for their property, lacking police security and rule of law, the poorest Jamaicans are particularly vulnerable to the political violence that upholds a corrupt clientelistic system. There is evidence that indicators of corruption are negatively correlated with important economic outcomes.¹⁰⁶ Corruption reduces efficiency, economic growth, per capita income, and affects child mortality and literacy.¹⁰⁷

Property Rights and Business Investment Climate

Many conditions affect investors' decisions, including the macroeconomic climate, tax incentives, interest rates and exchange rates. However, an absence of property rights also particularly affects the decisions of both foreign and domestic investors in Jamaica. There is a higher risk for investors when there is a lack of security for business property and assets, and widespread extortion and theft. Investors must consider the risk of lower sales when prices are undercut by illegal

Economics and Politics 7 (1995): 207-227; Clifford Zinnes and Yair Eliat, "The Shadow Economy in Transition Counties: Friend or Foe? A Policy Perspective," *World Development* 30 (2002), 1235.

¹⁰⁵ Alan Eyre, "The Effects of Political Terrorism on the Residential Location of the Poor in the Kingston Urban Region," *Urban Geography* 7 (1986), 229.

¹⁰⁶ Daniel Lederaman, Norman Loayza and Rodrigo Soares, "Accountability and Corruption: Political Institutions Matter," *Economics & Politics* 17 (2005): 1-35.

¹⁰⁷ Paolo Mauro, "Corruption and Growth," *Quarterly Journal of Economics* 110 (1995): 681-712; Shahid Burki and Guillermo Perry, *Beyond the Washington Consensus: Institutions Matter* (Washington, D.C., World Bank, 1998).

businesses and higher uncertainty when there is poor infrastructure such as unsafe roads and undependable utilities. As stated one researcher, the absence of property rights directly increases the cost of production because of “...time spent on bribery, avoiding licenses and taxes, and seeking private sector alternatives to public services.”¹⁰⁸

Crime significantly creates a higher cost for doing business, requiring most businesses to employ private security guards or succumb to the pressure exerted by organized crime to utilize their protection racket. The World Bank estimates that an improvement in Jamaica’s rule of law to that of the level of other Caribbean nations such as the Bahamas would lead to a 50 percent increase in foreign investment:

Crime costs Jamaica at least 4 percent of GDP, including lost production, health expenses, and public and private spending. In addition, exporting firms’ security costs can be as high as 5 percent of sales, small firms’ losses due to extortion, fraud, robbery and arson can be 9 percent of revenue, with an average of 3-6 percent for firms in manufacturing and distribution. The costs of crime limit growth. Some 10-20 percent of firms in the business survey suggested that they may close down in the next three years because of crime.¹⁰⁹

These costs include elaborate accounting systems to police workers and inventory, extensive surveillance systems, security guards and dogs, special fencing, grill works and alarm systems. Sixty percent of large businesses use armed guards. A realistic fear of crime affects workers during their commutes through dangerous bus parks and communities; most workers refuse to commute or work after dark, and few businesses are able to operate second or third shifts, affecting efficiency. Call centers that have attempted to establish operations during the night have struggled to find employees willing to work after dark.

A case study of fruit processing companies in Jamaica provides a good example of how vulnerable companies are to extortion and how this affects costs. Interviews reveal that proprietors

¹⁰⁸ Clifford Zinnes and Yair Eliat, “The Shadow Economy in Transition Counties: Friend or Foe? A Policy Perspective,” *World Development* 30 (2002), 1237.

¹⁰⁹ World Bank, *The Road to Sustained Growth in Jamaica 2004* (Washington, D.C.: World Bank, 2004), 5.

and their foremen have been pressured by local criminal bosses time and again to make their plant available for smuggling operations such that they must alter operations to prevent tampering with the product. They report a “constant fear of drug smuggling.”¹¹⁰ The plight of the fruit processing businesses reveals how vulnerability of property affects competitiveness and the bottom line due to increased security costs.

Legally compliant businesses must compete with tax-evading businesses that do not comply with regulations, often operating on the sidewalk outside their storefront and undercutting their prices. A study of Jamaica’s competitiveness that conducted interviews with employers found that “the relative large informal sector in Jamaica is perceived as a major source of unfair competition.”¹¹¹ The Jamaica Gleaner interviewed a legal business owner who complained about illegal peddlers blocking store entrances: “when they buy the goods and just lay it out in front of the stores customers cannot get to enter the stores, so we end up losing.”¹¹² Another news account describes the tension between illegal and legal vendors in a Port Antonio business district:

The mayor noted...complaints from several store operators along the William Street strip, who have indicated that the progress of their businesses was being severely hampered. "The vendors were plying their trade at the doorsteps of the store operators, where these store owners were losing sales as they were prevented from entering the stores," he said.¹¹³

Poor infrastructure such as unsafe roads and unreliable utility service affect investor’s decisions. The World Bank’s 2004 assessment of Jamaica’s investment climate found a high cost and inadequate coverage of infrastructure and utilities, “...particularly water and roads, and the unreliability of power supply.”¹¹⁴ Interviews with business owners reveal dissatisfaction with “...a

¹¹⁰ Derek Gordon, Patricia Anderson, and Don Robotham, “Jamaica: Urbanization During the Years of Crisis” in *The Urban Caribbean: Transition in the New Global Economy*, Alejandro Portes, Carlos Dore-Cabral, and Patricia Landolt, eds., (Baltimore: Johns Hopkins University Press, 1997), 214.

¹¹¹ Andrew Downs and Arthur Lewis, “Productivity and Competitiveness in the Jamaican Economy” (Washington, D.C.: working paper for the Inter-American Development Bank, July 2003), 14.

¹¹² “Downtown Kingston Vendors, Proprietors at Odds,” *Jamaica Gleaner*, October 26, 2001.

¹¹³ “Parish Council Clamps Down on Illegal Vending,” *Go Local Jamaica Online News*, 16 July, 2004.

¹¹⁴ World Bank, *The Road to Sustained Growth in Jamaica 2004* (Washington, D.C.: World Bank, 2004), 142.

poor mass transit system which makes it difficult for workers to get to their jobs and results in worker frustration.”¹¹⁵

It is for many of these reasons that Jamaica has lost appeal as a location for business investment. Jamaica recently lost textile and tire production industries to lower cost countries such as Mexico, Haiti and the Dominican Republic. As a note of caution, although FDI (foreign direct investment) has been relatively high, it has been capital intensive investment or portfolio investment in search of interest rate differentials, most of which has not resulted in growth or significant job creation. For example heavy investment in Jamaica’s bauxite industry has not created enough jobs to significantly increase employment rates.

As a result of reduced investment in business formation, there are fewer formal jobs, and people remained trapped in a high unemployment economy where they must turn to the informal economy to survive. In this climate of underinvestment, a middle class cannot evolve, and development remains stagnant.

Property Rights and Tax Collection

Because of its massive informal employment base, the Jamaican government’s tax collection ability is diminished. One research team made the remarkable finding that tax evasion is so widespread that Jamaica has lost tax revenues equivalent to 84 percent of actual collections.¹¹⁶

In 2004, a public finance team assigned to make recommendations for tax reform in Jamaica noted that “tax evasion is particularly problematic for the self-employed sector, where up to 90

¹¹⁵ Andrew Downs and Arthur Lewis, “Productivity and Competitiveness in the Jamaican Economy” (Washington, D.C.: working paper for the Inter-American Development Bank, July 2003), 25.

¹¹⁶ James Alm, Roy Bahl, and Matthew N. Murray, “Tax Base Erosion in Developing Countries,” *Economic Development and Cultural Change* 39 (1991): 849-872.

percent of the self-employed escape the system of direct taxes.”¹¹⁷ The study analyzed the tax payments made by 4,084 formal workers and 932 self-employed informal workers and found that only 11 percent of the self-employed filed a tax return. The researchers estimated that across the board, undeclared income from Jamaica’s self-employed is J\$600 million and that the actual tax base is only two-thirds of its potential.¹¹⁸

The loss of revenues negatively affects the government’s ability to finance needed infrastructure and social capital. The government of Jamaica faces enormous pressure in paying down a debt burden that is 150% of GDP, one of the highest in the world, while maintaining a social safety net and stimulating growth in their economy:

The share of government spending in the social sectors has fallen from 26% in FY1997/98 to 18% in FY2000/01, while the share devoted to debt management has increased from 49% to 58.2% during the same period. This situation severely limits the ability of the government to channel the required resources to the provision of social services, and the strengthening of the safety net.¹¹⁹

Given its enormous debt, many of Jamaica’s social programs and interventions are funded by outside sources such as loans from the World Bank, Inter-American Development Bank, and western donor countries. If Jamaica did not suffer from such widespread tax evasion, perhaps it would not be as dependent on outside resources.

As a result of widespread tax evasion, taxes in Jamaica are unjustly regressive rather than progressively distributed. The narrow base of formal workers who are compliant with tax regulation shoulder the bulk of Jamaica’s tax revenues. The fact that the majority of Jamaicans operates outside the legal system and do not pay taxes generates gross inequalities and inefficiencies in the income tax system. This severely affects growth in Jamaica by unfairly penalizing those few who are tax

¹¹⁷ Andrew Young School of Policy Studies, “AYSPS Shapes Jamaica’s Comprehensive Tax Reforms” (Atlanta: press release, Georgia State University, 2004).

¹¹⁸ James Alm, Roy Bahl, and Matthew N. Murray, “Tax Base Erosion in Developing Countries,” *Economic Development and Cultural Change* 39 (1991): 849-872.

¹¹⁹ The Inter-American Development Bank, “Jamaica Social Safety Net Reform Loan Proposal” (Washington, D.C.: working paper for the Inter-American Development Bank, 2001), 2.

compliant. In effect, it “discourages savings, investment, and work effort, while leading to capital (and human) flight.”¹²⁰

Chapter Conclusion

This chapter has demonstrated a relationship between the absence of property rights in Jamaica and underdevelopment. Although certainly macroeconomic and external geopolitical circumstances strongly affect Jamaica’s growth, domestic property-rights related factors such as access to credit, corruption, business investment climate, and government ability to collect taxes all clearly affect Jamaica’s inability to spur growth and development.

¹²⁰ Ibid, 867.

CHAPTER 5: THE OFFICIAL RESPONSE: THE INTERNATIONAL AND LOCAL POLICY ENVIRONMENT

International Policy Environment

Most multilateral governance organizations and bilateral donor agencies are well aware of the problems associated with a widespread absence of property rights.¹²¹ The World Bank is probably the most active, sponsoring some of the most comprehensive research on the issue.¹²² Appendix VII contains a matrix of the World Bank's direct policy recommendations to Jamaica regarding property rights. USAID has sponsored research of informal housing and tax reform in Jamaica.¹²³ The USAID-funded Inter-Summit Property Systems Initiative (Appendix III) contains an online database and discussion boards for development and government professionals to share best practices towards establishing property rights.¹²⁴ The Inter-American Development Bank's Multilateral Investment Fund sponsors a cross-cutting project initiative entitled "Promoting Effective Property Rights in Latin America and the Caribbean" (see Appendix IV). The International Monetary Fund (IMF) has conducted investigations of property rights as well.¹²⁵

¹²¹ These organizations include the World Bank, IMF, ft, USAID, ILO, OECD and the UN.

¹²² Shahid Burki and G Guillermo Perry, *Beyond the Washington Consensus: Institutions Matter* (Washington, D.C., World Bank, 1998); Daniel Kaufman, Aart Kraay, and Massimo Mastruzzi, *Governance matters III: governance indicators for 1996-2002* (Washington, D.C.: The World Bank, 2003); Phillip Keefer, "A review of the political economy of governance: From property rights to voice" (working paper for the World Bank, May, 2004); Norman Loayza, Ana Maria Oviedo, and Luis Servén, "The Impact of Regulation on Growth and Informality: Cross Country Evidence" (working paper for the World Bank, 2005); Friedrich Schneider, "Size and Measurement of the Informal Economy in 110 Countries Around the World" (working paper for the World Bank, 2002); World Bank, *The Road to Sustained Growth in Jamaica 2004* (Washington, D.C.: World Bank, 2004).

¹²³ Ruth McLeod, "Low Income Shelter Strategies in Kingston, Jamaica. Solutions of the Informal Sector" (Kingston, Jamaica: working paper prepared under contract to USAID, 1988); Roy Bahl, ed., *Final Report of the Jamaica Tax Structure Examination Project* (Cambridge: Lincoln Institute of Land Policy, 1990).

¹²⁴ The Inter-Summit Property Systems Initiative, (working paper by the Broad-based Economic Growth Team Bureau for Latin America and the Caribbean, USAID, Nd.).

¹²⁵ Era Dabla-Norris and Scott Freeman, "The Enforcement of Property Rights and Underdevelopment" (Washington DC: working paper for the IMF, 1999).

The International Labour Organization (ILO) was one of the first multilateral institutions to research the problem of property rights in 1977.¹²⁶ In fact, a search within their informal economy database returns 547 articles related to property rights. The ILO has funded specific research of Jamaica's informal economy.¹²⁷

Similarly, a search of the OECD website reveals 175 research articles written on the informal economy, as well as a comparative case study of regulation and the informal economies in Jamaica and Ecuador.¹²⁸

The United Nations Development Programme's 2004 *Assessment of Development Results in Jamaica* made specific recommendations related to the massive informal economy¹²⁹ and has also funded land tenure research.¹³⁰ In January 2006 the UNDP announced the formulation of a new commission, the High Level Commission on Legal Empowerment of the Poor. The commission will be chaired by former U.S. Secretary of State Madeleine Albright and Peruvian economist Hernando de Soto. The Commission is charged with expanding access to property rights to the poor and marginalized segments of society. See Appendix II for the commission's concept paper and mission.

Although it is clear that multilateral governance and development organizations have conducted substantial research on property rights some questions remain. Are the study findings and recommendations both realistic and accessible to domestic government policy makers? Are the research findings then being applied in the form of funding priorities, interventions and programs?

¹²⁶ The International Labour Office, "The Urban Informal Sector in Africa" *International Labour Review* 116 (1977): 343-353.

¹²⁷ Andrea Miller-Stennett, *Informal Sector Training in Jamaica: an Assessment* (Geneva: International Labor Organization, 2002).

¹²⁸ Victor E. Tokman and Emilio Klein. "Informal Sector and Regulations in Ecuador and Jamaica" (Paris: working paper for the OECD, 1993).

¹²⁹ United Nations Development Programme, "Country Evaluation: Assessment of Development Results in Jamaica" (New York: working paper for UNDP, 2004).

¹³⁰ United Nations Economic Commission, "Social and Economic Benefits of Good Land Administration" (working paper, 1998); Ibid, "United Nations World Investment Report" (2002).

It appears that although studies, papers and conferences are plentiful, actual funded interventions and programs are sporadic.

After surveying all of the agencies for programs or interventions, there appears to be two property rights interventions in Jamaica. Since 1999, the Jamaican government and the Inter-American Development Bank provide funding for a land title pilot project at a cost of US\$12 million. The Land Administration and Management Programme (LAMP) strategically targets the informal sector. LAMP is intended to transform the informal sector in one parish by creating a more affordable and accessible land title registration system.¹³¹ Although the project moves Jamaica a step closer to providing more accessible property rights, it is important to note that it is a pilot project and benefits a small segment of the population in one parish on the island. Additionally, the ILO has funded employment training programs targeted at informal workers.¹³² Follow up research has found discouragement amongst participants who completed the training, because of the unavailability of formal employment despite their newly acquired skills.¹³³

Although USAID has substantially funded housing programs intended for low income Jamaicans, homes and mortgages are awarded to middle income Jamaicans rather than those with the most need. This misallocation of targeted funding is due to property rights. Although government housing schemes were intended for low-income Jamaicans, National Housing Trust (NHT) officers typically offer housing to those who work in the formal sector because of their ability to make automatic payroll deduction for mortgage payments, lessening the risk of default. Because the majority of low-income Jamaicans employed in the informal economy are paid in cash,

¹³¹ Jamaica Information Service, “LAMP Gets More Funding to Rationalize Land Use” (Kingston, Jamaica: press release, Government of Jamaica, April 1, 2004).

¹³² Andrea Miller-Stennett, *Informal Sector Training in Jamaica: an Assessment* (Geneva: International Labor Organization, 2002).

¹³³ Mark Wenner, *Microenterprise Development in Jamaica: Preliminary Assessment* (Washington DC: Inter-American Development Bank, 1996).

automatic payroll deduction is not feasible. Low income Jamaicans are therefore more likely to be turned down for NHT housing defeating the purpose of USAID's program.¹³⁴

Why more property rights interventions are not funded in Jamaica is murky. It could be that Jamaica has not applied for funding, or perhaps because this is a newly recognized development issue. Whatever the reason, the end result is that despite enormous amounts of research, conferences, and publications there is little donor investment in programs to reform Jamaica's property rights dilemma.

Jamaican Civic and Nonprofit Organizations and Property Rights:

International Non-Government Organizations (INGOs) and non-profits based in Jamaica also seem to ignore property rights. In the author's two years experience of doing development work in Jamaica, only one INGO worked on property rights issues: Habitat for Humanity International Jamaica (HFHJ).

HFHJ's program has been in jeopardy due to the widespread lack of land titles. The organization funds homes for the needy based on no-interest, at-cost revolving mortgages. The revolving fund is intended to be used for building new homes when families pay off their mortgages. Habitat had difficulties collecting mortgage payments from families because without land titles, loans were unsecured. With no threat of foreclosure families were not paying into the revolving fund. In 2003, to avoid endangering their operations in Jamaica, the director made the strategic decision to recruit pro bono attorneys to work closely with housing applicants to obtain titles to land before mortgage contracts were written. In the author's experience, Habitat is the only INGO or nonprofit in Jamaica that directly worked on property rights issues. It is possible that INGOs are not working on the issue of property rights reform because funding is contingent upon charity and voluntary

¹³⁴ Thomas Klak, "What Causes Arrears in Government Housing Programs? Perceptions and the Empirical Evidence

donations. It may be the case that other humanitarian issues that are more sympathetic and marketable crowd out property rights for funding priorities.

In contrast, Jamaican civic associations are fairly active in dealing with informal vendors, although this relationship is often hostile. The Jamaica Chamber of Commerce and the United Vendor's Association have both lobbied the GOJ to remove informal vendors from busy market areas in downtown Kingston.¹³⁵ At times there is cooperation with the Jamaica Vendors, Higglers and Markets Association, but this often degenerates into conflict. The relationship between the two associations is not always cooperative — especially when higglers experience a drop in sales when they are forcibly removed from profitably byways to zoned areas that are more out of the way. Threats of violence, burning and looting inevitably bring police intervention. As one illegal vendor argued in protest, “The market thing just not going to work out. You go in there (allotted markets), and nobody not coming in. Business good right out here. So, all the people who going and coming from country, who just come off the bus and who have other business on King Street, is here so things must catch dem eye.”¹³⁶ The City of Kingston has spent more than \$20 million Jamaican to refurbish markets to house vendors, but these new-look facilities have remained relatively empty.¹³⁷

Government of Jamaica Policy

The Government of Jamaica's (GOJ) response to the widespread lack of property rights appears sporadic and inadequate. Few policies appear to be in place that recognize or attempt to resolve property rights issues. This inaction is typical of developing countries. In a recent study,

from Jamaica,” *Journal of the American Planning Association* 58 (1992): 336-346.

¹³⁵ For various accounts of conflict between the legal private sector and informal vendors, see “Vendors group demands clean-up of Coronation Market,” *Jamaica Gleaner*, December 7, 2002; “Downtown Kingston Vendors, Proprietors at Odds,” *Jamaica Gleaner*, October 26, 2001; “Councillor Storms out of Meeting,” *Jamaica Gleaner*, May 15, 2000; “Kingston Parish Church under 'siege' - Downtown vendors defy orders to move,” *Jamaica Gleaner*, May 18, 2002; “KSAC to clear streets - Street vendors to be removed by October 19,” *Jamaica Gleaner*, October 10, 2001.

¹³⁶ “Downtown Vendors Defy Orders to Move,” *Jamaica Gleaner*, May 18, 2002.

researchers examined the policy priorities of governments throughout the 1990's and found that little attention has been given to the issue of informal economies.¹³⁸

The World Bank's opinion of the GOJ policy response is one of concern: "A fundamental problem with Jamaica's past pattern of development is that it has not gone far enough in breaking down the dualistic economy. A sharp contrast remains between the low-wage, capital-starved, largely informal or rural sectors and the capital-intensive, high wage sectors."¹³⁹ In the Planning Institute of Jamaica's much acclaimed *Survey of Living Conditions 2002* — which is intended to be a comprehensive overview of national social issues — there is no connection or mention of social problems and their relationship to property rights or even that a large informal sector exists.

Geographer Alan Eyre conducted five case studies of the GOJ response to informal housing and found the official response severely lacking. At best "a few intellectuals and low-level functionaries from government and the private sector met from time to time to discuss the problem" but that overall, "the attitude of government, both JLP and PNP, was one of total disinterest and unconcern."¹⁴⁰ Table 8

illustrates the results from a survey of 791 squatters in Jamaica who tend to perceive the government as not interested in property rights issues.

There are occasional public

announcements by the GOJ related to property rights issues. For example, in 1998, a newly announced Micro-Sector Policy intended to shore up small businesses stated that "the GOJ intends

Table 8. Level of Government's Interest in Squatters' Problems

Perceived level of interest	Percentage
A great deal of interest	5.3
Some interest	28.3
No interest at all	61.4
Don't know	4.9

Source: Tindigarukayo, J. (2002: 109)

¹³⁷ Ibid.

¹³⁸ Clifford Zinnes and Yair Eliat, "The Shadow Economy in Transition Counties: Friend or Foe? A Policy Perspective," *World Development* 30 (2002), 1247.

¹³⁹ World Bank, "Jamaica, A Strategy for Growth and Poverty Reduction, Country Economic Memorandum" (working paper, World Bank, 1994).

to provide the framework for the expansion and development of the micro-sector to enhance its contribution to economic growth."¹⁴¹ The strategy outlined a commitment to extend credit to micro-enterprises, most of which are informal:

To increase access to credit for individuals in the sector at the institutional level and at the product level. At the institutional level, Government will strengthen and maintain specialized credit institutions such as the People's Co-operative Bank and MIDA. In terms of products, these should be broadened to include a credit guarantee scheme, small loan fund and non-collateral lending ensuring that the credit delivery system is more efficient and effective.¹⁴²

The GOJ established the Micro Investment Development Agency (MIDA) to provide low interest credit to small businesses. In 2004, MIDA reported their expectation to “disburse \$200 million in new loans to finance approximately 2,080 micro businesses that should create close to 2,810 jobs in various sectors of the economy.”¹⁴³ As far as the results, it is unclear whether credit has been made more available since that time. A 1996 IADB study of microenterprise development in Jamaica concluded that the “credit granting institutions are far from financial self-sufficiency and the stronger ones have only reached the middle and upper strata of the micro and small business class.”¹⁴⁴ The World Bank’s 2004 *Road to Sustained Growth in Jamaica* observed that access to credit remains severely limited.¹⁴⁵ In 2004 the author personally worked with a dozen small informal business owners to help them write business plans and apply for small loans, yet none of them were successful in obtaining financing from micro-credit institutions or from commercial banks. All found the process difficult — if not impossible — primarily because they lacked collateral.

¹⁴⁰ Alan Eyre, “Self-Help Housing in Jamaica” in *Self-Help Housing, the Poor and the State in the Caribbean*, Robert Potter and Dennis Conway, eds., (Kingston, Jamaica: University of the West Indies, 1997), 80, 89.

¹⁴¹ International Labor Organization Caribbean Office, “Small Enterprise Development in the Caribbean, Policy and Legal Framework: Jamaica” (Trinidad: working paper, Nd).

¹⁴² Ibid.

¹⁴³ Jamaica Ministry of Finance, “Micro Investment Development Agency Limited” (Kingston, Jamaica: Government of Jamaica working paper, 2004), 105.

¹⁴⁴ Mark Wenner, *Microenterprise Development in Jamaica: Preliminary Assessment* (Washington, D.C.: Inter-American Development Bank, 1996), 10.

¹⁴⁵ World Bank, *The Road to Sustained Growth in Jamaica 2004* (Washington DC: World Bank, 2004).

A contemporary reader would be hard pressed to find recent speeches and newspaper accounts of politician's directives that reveal any significant attention to property rights. PNP Presidential candidate and current Minister of Finance Dr. Omar Davies is campaigning on a platform that emphasizes microenterprises and "self-empowerment," with a commitment to providing better access to credit.¹⁴⁶ In his presentation of the 2005 budget to parliament Davies acknowledged that the informal economy affects widespread tax evasion, and announced tax reform plans to widen Jamaica's tax base.¹⁴⁷ The other candidates do not appear to be campaigning on property-rights related issues.

The most active response of the GOJ towards property rights has been punitive. Substantial financial resources have been spent attempting to remove vendors¹⁴⁸ and relocate squatters or force evictions from informal housing.¹⁴⁹

To conclude, it appears that GOJ policy towards property rights has been piecemeal, limited and concentrated in four areas: the LAMP pilot project for land titles, a tax reform plan targeted at widening the tax base, limited microcredit extended to informal businesses and punitive actions that remove informal vendors from the street and informal squatters from their communities.

¹⁴⁶ See Omar Davies Presidential Campaign website: http://www.omardavies.org/news_archive.php (cited 19 February, 2006).

¹⁴⁷ Omar Davies, "2005/2006 Jamaica Budget Opening Presentation" (Kingston, Jamaica: remarks addressed to Parliament, April 14, 2005), 15.

¹⁴⁸ See the following sources for accounts of government attempts to remove vendors from the streets: "Cat-and-mouse game downtown Kingston - Vendors remain determined to cash in on Xmas sales," *Jamaica Gleaner*, December 6, 2001; Michael Witter, "The Role of Higglers/Sidewalk Vendors/Informal Commercial Traders in the Development of the Jamaican Economy" (Kingston, Jamaica: working paper for the University of the West Indies, 1988), 6; Ibid, 10-11; and Janet Jalloul, "The Informal Sector in Kingston: a Description of Literacy, Educational Attainment, and Occupational Skills" (PhD diss., American University, 1988), 38.

¹⁴⁹ For a detailed account of a squatter community and forced relocation, see Alan Eyre, "Self-Help Housing in Jamaica" in *Self-Help Housing, the Poor and the State in the Caribbean*, Robert Potter and Dennis Conway, eds. (Kingston, Jamaica: University of the West Indies, 1997), 86-91. Also see "Residents of squatter community cry foul - Eviction notices served on 250 families of Portmore Villas," *Jamaica Gleaner*, December 6, 2001; "Downtown Kingston Vendors, Proprietors at Odds," *Jamaica Gleaner*, October 26, 2001; "Parish Council Clamps Down on Illegal Vending," *Go Local Jamaica Online News*, 16 July, 2004.

CHAPTER 6: CONCLUSIONS

Policy Recommendations

Based on the findings in this research, The Government of Jamaica is urged to consider three policy recommendations:

- Create a task force on property rights reform
- Reform the political patronage system
- Creatively seek funding and resources

Chapter Four demonstrated that Jamaica can no longer afford to ignore the connection between a widespread absence of property rights and underdevelopment. Chapter Five established that Jamaica is typical of most developing nations in regards to property rights. As long as GOJ policy related to property rights continues to be sporadic and punitive, the status quo will be reinforced, leaving the masses trapped outside the legal structure.

Alternatively, contemporary development research is pioneering more transformational approaches. For the first time, international development funding agencies, domestic governments (such as Thailand, Peru and Egypt), and INGOs such as Habitat for Humanity are recognizing and addressing the informal sector. By proactively taking on the problems of the informal sector now, Jamaica has a window opportunity to be in the forefront of the Caribbean economy. The GOJ may apply for funding and assistance from development agencies such as the World Bank, or the U.S. Millennium Challenge Account fund, for example. As the Prime Minister and her Cabinet address the root causes of a widespread absence of property rights masses of Jamaicans will be empowered to join the legal economy. They can be free to develop capital, small businesses, pay taxes and transform the economy from one dependent on external income sources and create its own sustainable wealth and development.

Recommendation I: Create a Task Force on Property Rights Reform

The Prime Minister is urged to establish a task force on property rights reform made up of diverse and credible members reflecting all of the stakeholder interest groups: illegal business owners and squatters, legal business owners, bankers, INGO representatives and others. The task force should be charged with creating methods to research Jamaica's informal sector, including determining its size, lost tax revenues and defining participants and interactions within the economy. The task force should hold publicized town meetings to raise awareness that social and economic problems are related to property rights, and to solicit input from Jamaicans.

The task force should closely examine current regulations and government ministries and how they affect extralegals. Reforms should be researched to make legality more affordable and inclusive. From the point of view of economists, the size of the informal sector is explained by the heavy regulatory burden on legal businesses (e.g. taxes, red tape), which provide incentives to extralegal businesses to supply goods at a lower cost.¹⁵⁰ Therefore, policy that reduces the regulatory burden will reduce the demand for goods and services sold in the informal economy.¹⁵¹

Policy implementation must include compromises and attempt to minimize disruption to the economy and society. As the task force weighs the costs and benefits of regularization and enforcement of rule of law, they must be careful. It is important to acknowledge that despite the many problems of the informal economy, there are also benefits. The informal economy provides

¹⁵⁰ Douglass North, *Economics of Public Issues* (New York: Harper and Row, 1980); *ibid*, *Understanding the Process of Economic Change* (Princeton University Press: New Jersey, 2005); Hernando de Soto, *The Mystery of Capital: Why Capitalism Succeeds in the West and Fails Everywhere Else* (New York: Basic Books, 2000), 6; *Ibid*, *The Other Path: The Invisible Revolution in the Third World* (New York: Harper and Row, 1989); Avinash Dixit, *Lawlessness and Economics* (New Jersey: Princeton University Press, 2004).

¹⁵¹ For more detailed policy recommendations, see Samuel Freije, "Informal Employment in Latin America and the Caribbean: Causes, Consequences and Policy Recommendations" (working paper for the Inter-American Development Bank, Nd): 38-44; Omar Azfar and Charles Cadwell, eds., *Market-Augmenting Government* (Ann Arbor: University of Michigan Press, 2003); Charles Cadwell, "Implementing Legal Reform in Transition Economies" in *Institutions and Economic Development*, Christopher Clague, ed., (Baltimore: Johns Hopkins University Press, 1997); Hernando de Soto, *The Other Path: The Invisible Revolution in the Third World* (New York: Harper and Row, 1989); *Ibid*, *The Mystery of Capital: Why Capitalism Succeeds in the West and Fails*

low cost goods and jobs and is a source of competition that provides entrepreneurial experience to the workforce. It provides a platform for business creation despite corruption and bureaucratic obstacles. Therefore, actions should avoid being so punitive that they negatively affect the productive qualities of the informal sector. The goal should be to regularize — not to stamp out — small businesses.

Based on their findings, the task force should draft policy solutions that reform taxation regulation, criminal justice policy and labor policy. Reforms should simplify red tape that hinders legality and reduce steps and fees so that legal land titles and business registration is within the grasp of the majority of Jamaicans instead of only the elite few who are in the propertied class.

The task force should also research how to strengthen property rights institutions such as banking, insurance and rule of law — without which foreign capital will not invest in Jamaica, and neither will Jamaicans. The task force should set measurable goals. For example, reducing the size of the informal economy by a fixed percent each year or increasing the number of registered land titles by a fixed percent each year would be useful metrics.

Policy Recommendation II: Reform the Political Patronage System

Chapter Four demonstrated that in the absence of legally secure property rights for land, homes and business property, the political patronage system and entrenched government corruption will fill the void with distribution of homes and jobs — based on an exchange of favors, such as voting for specific political parties. Current theory projects that the level of patronage or clientelism within a nation's political system positively influences the size of the informal sector.¹⁵² Policy

Everywhere Else (New York: Basic Books, 2000): Clifford Zinnes and Yair Eliat, "The Shadow Economy in Transition Counties: Friend or Foe? A Policy Perspective," *World Development* (July, 2002): 1246-1250.

¹⁵² Peter Evans, "Predatory, Developmental, and Other Apparatuses: A Comparative Political Economy Perspective." *Sociological Forum* 4 (1989): 561-587; Stephen Knack and Phillip Keefer, "Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures" *Economics and Politics* 7 (1995): 207-

actions that reform Jamaica's clientelistic political system are most likely necessary, not to mention painstakingly difficult. Jamaica must therefore ask itself "...under what conditions do governments have the incentive to ensure the rule of law, secure property rights, and a well-functioning bureaucracy, and more generally to serve the public interest?"¹⁵³ A clientelistic political system is not that condition. It is acknowledged that this policy recommendation is by far the most difficult of all the solutions, will take exemplary leadership, consensus building, political willpower and self-restraint of those in power.

In order to champion these rights, there is a need for strong leadership to combat layers of entrenched elitist bureaucracy and corruption. Pulitzer Prize winning author Thomas Friedman argues that India's Manmohan Singh, China's Deng Xiaoping, Britain's Margaret Thatcher, and Soviet Mikhail Gorbachev are examples of leaders who reformed their economies and policy in order to make their nations more competitive. "They also create an environment below that makes it very easy for their people to start businesses, raise capital and become entrepreneurs."¹⁵⁴

Detailed recommendations on reforming political patronage machines are outside the scope of this thesis. Nevertheless, the strong leader who steps forward in Jamaica to combat the clientelistic system must implement strong anti-corruption laws, transparency, and rule of law. The GOJ should seek out those on the government payroll who are obviously living above their means (e.g. the largest house in Kingston is owned by a police chief). Punishing the big fish sends a message of seriousness. The GOJ needs to implement civil service reform based on merit and accountability and reduce the "pool of rents available for bribery"¹⁵⁵ by continuing to lower trade

227; David Kang, *Crony Capitalism: Corruption and Development in South Korea and the Philippines* (New York: Cambridge University Press, 2002).

¹⁵³ Philip Keefer, "A review of the political economy of governance: From property rights to voice" (working paper for the World Bank, May, 2004), 12.

¹⁵⁴ Thomas Friedman, *The World is Flat* (New York: Farrar, Straus and Giroux, 2004), 318.

¹⁵⁵ For policy recommendations on reforming corruption and the patronage system, see Kimberly Ann Elliot, *Corruption and the Global Economy* (Washington, D.C.: Institute for International Economics, 1997), 208.

barriers, eliminate unnecessary regulations and simplify essential ones to reduce the need for citizens to grease the wheels with bribes.

Policy Recommendation III: Creatively Seek Funding and Resources

Institution building reforms require financial resources, which are in short supply in developing nations. Some theories link property rights to a nation's wealth: "As countries grow wealthier, more effort and resources are spent to define and protect property rights."¹⁵⁶ It is recognized that Jamaica may not be able to finance these policy reforms without outside donor assistance, and there are a growing number of financial resources that can be solicited for grants and financial assistance.

Recent technological innovations in GPS, GIS and cadastral systems underscore the importance of property rights. When these technological innovations are paired with legally documented land ownership, new levels of intelligence gathering becomes possible. This intelligence allows for improved military tactics and territorial control strategies where lawlessness and narco-terrorist activities typically thrive. Formal, legal land titles and records could be used for financial law enforcement to "trace ownership to national identification numbers and then to passports, telephone bills, etc."¹⁵⁷ Improved land records and mapping systems assist aerial tactics, such as spraying to destroy cocaine crops. Land records also assist war planners in the destruction of specific military targets and minimizing of collateral damage. Columbia has approached the U.S. military for funds for a land mapping system as part of efforts to combat Columbia's drug trade. Jamaica is similarly of interest to the United States as a "major transshipment point for cocaine from South America to North America and Europe; (and the) illicit cultivation of cannabis; corruption is a major

¹⁵⁶ Philip Keefer, "A Review of the Political Economy of Governance: From Property Rights to Voice" (working paper for the World Bank, May, 2004), 18.

concern; (there is) substantial money-laundering activity; (and) Colombian narcotics traffickers favor Jamaica for illicit financial transactions.” (emphasis added)¹⁵⁸ Jamaica may be well-served to develop a proposal to the U.S. military to fund improvements to their land mapping system.

INGOs are a vast resource of funding and manpower. Habitat for Humanity International has a strong interest in its homeowners' ability to acquire land titles, and has partnered with the United Nations Development fund to assist with legalization of the poor projects. Habitat has an active office in Kingston and would be an interested stakeholder and resource.

The new U.S. Millennium Challenge Account fund — which may eventually replace the USAID model — seeks proposals from governments that include property rights reforms. A recent news account describes Madagascar’s award of funding to work on property rights reforms:

When the Bush administration invited Madagascar a year ago to apply for aid under a new US program, government officials here came up with a wish list of traditional development projects: a new hospital, more school spending, aid to rice farmers. US officials weren't impressed, writes *The Wall Street Journal*. "Can you convince us that this is going to bring economic growth to reduce poverty?" asked Clay Lowery, a top official with the Millennium Challenge Corp., the overseer of the president's program. Madagascar's leaders couldn't. So they began meeting with groups across the country, asking where the bottlenecks to economic progress lay. Officials kept hearing the same two complaints from farmers and small businesspeople: They couldn't get formal title to land because of a corrupt and decrepit bureaucracy, and they couldn't get loans because banks were growing fat investing in government bonds. Today, Madagascar President Marc Ravalomanana will be in Washington to attend the signing of a \$110 million, four-year aid package designed to fix those problems. It's the first grant ever under Bush's Millennium Challenge Account program -- and a test of whether the US has found a better way of delivering assistance.¹⁵⁹

The goal of the Millennium Challenge Account model is to aggressively support developing nations toward increased accountability, and strengthen institutions. A proposal from Jamaica to strengthen property rights is sure to be received with interest.

¹⁵⁷ Geoffrey Demarest, Mapping Colombia: The Correlation between Land Data and Strategy (Washington, D.C.: military strategy paper for the Strategic Studies Institute, March 2003), 4.

¹⁵⁸ *CIA World Factbook* (2004).

¹⁵⁹ “New Bush Strategy on Aid Faces Test In Madagascar,” *Noticias*, April 19, 2005.

As multilateral and bilateral donor agencies are becoming more aware of the importance of property rights for development, their programs are also becoming a source for funding. Appendices II-VI provide more details about the following property-rights based initiatives as examples of resources for assistance and partnerships:

- The USAID-funded Inter-Summit Property Systems Initiative;
- The Inter-American Development Bank's Multilateral Investment Fund sponsors the Promoting Effective Property Rights in Latin America and the Caribbean Initiative;
- UNDP has recently launched the High Level Commission on Legal Empowerment of the Poor, charged with expanding access to property rights to marginalized segments of society;
- Institutional Reform and the Informal Sector Research Center, The University of Maryland; and
- Lincoln Institute of Land Policy

Limitations and Future Research

This research assumes that the lack of access to a formal legal structure of property rights guarantees that Jamaicans seek alternatives outside the legal structure, but that if property rights became accessible Jamaicans would choose rule of law over anarchy and lawlessness. In the author's experience with development programs in Jamaica any time Jamaicans had an opportunity to become legal affordably, they did so.

This research approach is limited in that case studies are more difficult to generalize than is quantitative research. Further field research is warranted to provide stronger evidence of the claims made in this study. It would be especially helpful to have more evidence concerning the apparent lack of attention to property rights by government. Interviews and field research of government officials, civic associations such as the Jamaica Vendors, Higglers, and Markets Association, or community-based informal housing organizations, might illuminate whether there are vested interests that prevent property rights reforms.

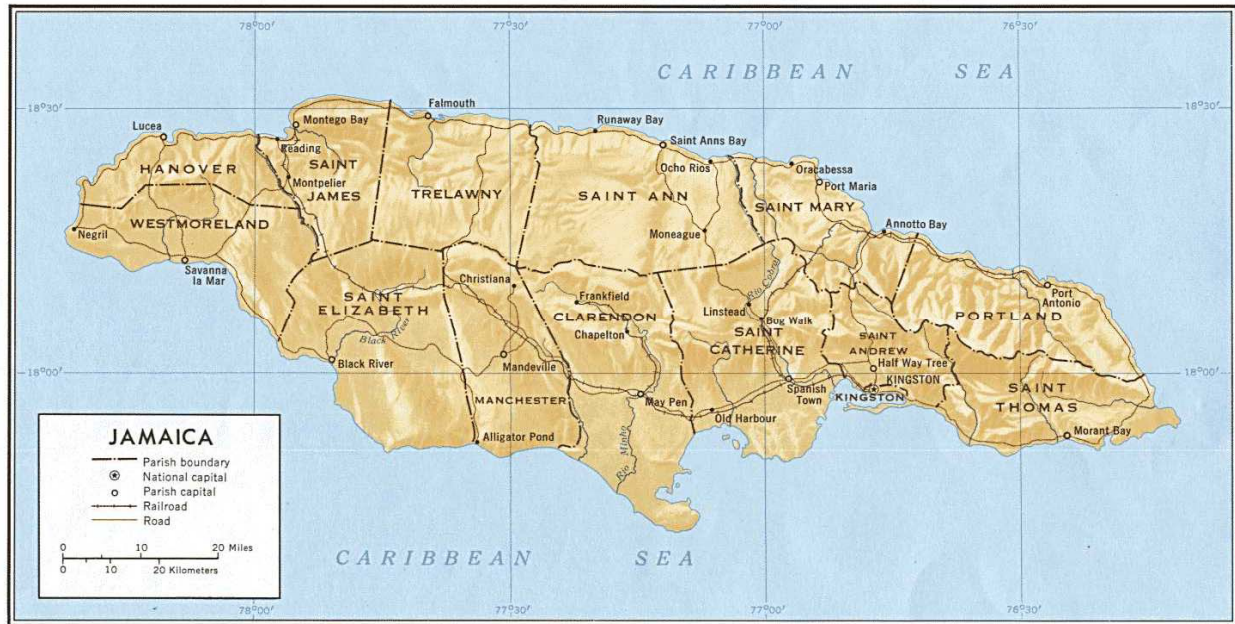
Although this research is asserting that there is a relationship between property rights and underdevelopment in Jamaica, we do not know the strength of the relationship, or what proportion

of underdevelopment is related to underdevelopment compared to other factors. Finally, the findings of this research are not intended to be construed that property rights are a magic bullet cure-all for underdevelopment. For example, a case study of a community in Argentina where half of the homes had land titles and half did not, found evidence of positive quality of life improvements for those with land titles. Because the people in the community did not have access to jobs, land titles were not enough to give the residents access to credit.¹⁶⁰ Simply implementing land titles, for example, would not be enough if not accompanied by access to jobs.

¹⁶⁰ Sebastian Galiani and Schargrodsky, Ernesto, "Property Rights for the Poor: Effects of Land Titling" (working paper, August 9, 2005).

APPENDIX I

Map of Jamaica



(Source: Washington University Image Archive, Nd)

APPENDIX II

Concept Paper and Mission for United Nation's High Level Commission On Legal Empowerment Of The Poor (HLCLEP): An innovative intergovernmental initiative

Website: <http://legalempowerment.undp.org/html/mission.html>

The initiative to establish the HLCLEP is built on the assumption and conviction that the fight against poverty can only be won, and the MDGs only achieved, if governments succeed in giving all citizens, especially the poor, a stronger stake in the economy through the protections and facilitative devices that only the rule of law can provide.

The empowering benefits of broadening the rule of law can be realized through comprehensive reforms of laws, institutions and policies. These reforms must address specifically those aspects that have the broadest possible benefits in the fight against poverty.

Key challenges include:

- Making user's and property rights accessible for all, especially the poor and marginalized, whether communities, groups or individuals;
- Ensuring that the user's and property rights of the poor and marginalized can function as means for economic and social empowerment, including obtaining credit and investment under conditions where they are not exploited;
- Broadening access to organizational forms that allow poor and marginalized people to govern their rights collectively by dividing labor, combining assets, and assigning responsibilities productively in their own enterprises.
- The overarching objective of the Commission is to contribute strategically to the struggle to achieve the MDGs, both globally and at the country level. In particular, the Commission's aim is to contribute to reducing poverty by half by 2015, and making significant progress beyond this date.

Whereas governments all over the world are struggling with this challenge and growing numbers of citizens and interest groups are demanding change, real success stories in implementing comprehensive reforms that benefit the poor are rare. This suggests that more effective tools and policies and harder efforts are needed. Concerted and focused international cooperation efforts to provide such tools and galvanize political commitment can provide a critical contribution at a time when policymakers around the world are increasingly focusing on and grappling with this challenge.

To that end, the Commission has a six-fold agenda:

- I. To galvanize political support and commitment to a broad reform agenda for legal inclusion and empowerment of the poor.
- II. To examine ways to secure broader access to legal, fungible property rights over real and movable assets – and thus replacing, supplementing or improving existing local or national arrangements for

the purpose of expanding and improving their utility for bottom-up economic and social empowerment and poverty reduction.

III. To examine ways to provide broad access to legal organizational forms suited for the poor and that enhance opportunities for growth so that poor people can combine labor, technology, and investment to raise productivity, limit risks and protect economic achievements; and leverage property to access credit and capital.

IV. To investigate any conceptual gaps in linking asset security, property rights, and access to the rule of law to wider development issues. These include conflict prevention, gender equality, economic inclusion, governance, administration of justice, legal enforcement, identification systems, capital formation, access to credit, provision of infrastructure -- especially land, energy, water and affordable housing -- and other issues that will benefit poor and indigenous peoples.

V. To draw up an inventory of reforms to promote asset security, and other efforts to link the formal and informal sector, that are based on global experiences to date and contributions from relevant expertise and stakeholders from governments, civil society, the private sector and international organizations from around the world.

VI. To produce a Tool Kit for policy makers as a basis for solid, demand-driven support programs for reform at the country level. The Commission is inspired by all people around the world who are struggling daily to make ends meet, too often in a hostile environment of confusing and dysfunctional laws and enforcement systems—some formal and others informal. Despite the obstacles, people show an amazing ability to get by, feed their children and aspire for better lives and in so doing deserve our deepest respect and our full commitment.

The Commission will draw on the work of those who have substantive experience developing and implementing complex reforms, particularly those that address legal empowerment and broadening the rule of law for the benefit of poverty reduction. Poor and informal groups will be engaged directly by the Commission and its working groups. The Commission will base its efforts on the best available knowledge and a range of experiences, whether from governments, non-governmental entities, informal sector interest organizations, international organizations, private firms or financial bodies, and especially bottom-up approaches.

(source: United Nations, “High Level Commission On Legal Empowerment Of The Poor (HLCLEP)” Nd.)

APPENDIX III

Inter-Summit Property System

Website: www.landnetamericas.org

Initiative Background:

The Charter of the OAS, which was signed in 1948, stipulates in Article 34 that Member States agree to devote their utmost efforts to accomplish:

“d) Modernization of rural life and reforms leading to equitable and efficient land-tenure systems, increased agricultural productivity, expanded use of land, diversification of production and improved processing and marketing systems for agricultural products; and the strengthening and expansion of the means to attain these ends.”

The Summits of the Americas Process

In 1996, property rights issues were included in the Summits of the Americas Process. Action plan of the Summit of the Americas on Sustainable Development:

“Initiative 22. Clarify, in accordance with the legal system of each country and as necessary, land tenure and property rights, including with respect to indigenous and other local community areas, and identify additional steps that may be needed to improve sustainable forest management under the various forms of land tenure, taking into account the interest of all stakeholders.”

Second Summit of the Americas, Santiago de Chile, Chile April 18-19, 1998

Property Registration Mandate from the Santiago Plan of Action

Governments will:

§Streamline and decentralize, as necessary, property registration procedures by: adopting transparent, simplified procedures for titling and registration; disseminating information regarding these procedures; utilizing, whenever feasible, state-of-the-art technologies for property geo-referencing, computer-generated mapping and computerized records storage; incorporating alternative dispute resolution mechanisms; and avoiding overlapping administrative fees for titling and registration.

§Recommend that multilateral and bilateral cooperation institutions, especially the Inter-American Development Bank (IDB) and the World Bank, strengthen their financial and technical assistance programs, including information exchange regarding experiences among countries, to support simplified property registration procedures and to assure access for the poor to those systems.

§In accord with national legal frameworks, implement measures, where necessary, to protect rights accorded to indigenous populations, as well as information programs, if needed, to assure greater awareness of indigenous populations of their rights, in this respect.

Third Summit of the Americas, Quebec City, Canada April 20-22, 2001

In April 2001, the Heads of State and Governments of the 34 States of the Western Hemisphere met in Quebec City, Canada at the Third Summit of the Americas. The leaders of the Hemisphere agreed on a Declaration and Plan of Action.

Excerpt from the Growth with Equity Mandate from the Quebec Plan of Action

Governments will:

Continue and deepen progress toward implementation of the agenda for improving property registration established at the 1998 Santiago Summit of the Americas with particular emphasis on regularizing informal property rights, in accordance with national legislation, to ensure that all valid property rights are formally recognized, that disputes are resolved, and that modern legal frameworks to legitimize property records and encourage marketable property titles are adopted; and that these actions include the formulation of institutional, political and regulatory reforms that would facilitate the use of property registration as a mechanism to enable property owners to access credit and allow commercial banks and MDBs to expand their customer base among lower income sectors; promote greater cooperation and exchange of information and technology to modernize the systems of registry and cadastre in the Hemisphere, and also request multilateral and bilateral cooperation institutions to continue supporting and strengthening, in a complementary manner, their financial and technical assistance programs.

Special Summit of the Americas, Monterrey, Mexico January 12-13, 2004

During the Special Summit of the Americas that took place January 12-13 in Monterrey, Mexico, the Heads of State gathered together to agree on a new Declaration.

Excerpt from the Declaration of Nuevo León:

We recognize that legally secure property rights are one of the essential elements for economic growth, since proof of ownership helps people to obtain loans and start businesses.

Therefore, we commit, where necessary and appropriate, to: strengthen property rights and expand the use of property as collateral, ensuring enforceable, efficient, transparent, comprehensive, and equitable rules governing property contracts; and improve or promote the related measures governing the transfer of property, property registries, the use of property as collateral, and the rights and responsibilities of debtors and creditors.

With regard to these measures, we commit to undertake concrete actions prior to the next Summit of the Americas to be held in Argentina in 2005, and to report at that time on progress achieved. We will seek to ensure that property rights benefit all people without discrimination.

Fourth Summit of the Americas, Buenos Aires, Argentina November 4-5, 2005

Growth with Employment mandate from the Plan of Action, Member States agree:

“32. To stimulate the design or strengthening of mechanisms or initiatives for access to credit by, among other measures, the fostering of the property registry and cadastre, in which legal certainty is expressed, among other means, through the verification of the title and the use of it, ensuring that the property rights benefit all people without discrimination.

(source: USAID, “The Inter-Summit Property Systems Initiative” (Washington, D.C.: working paper by the Broad-based Economic Growth Team Bureau for Latin America and the Caribbean, USAID, Nd).

APPENDIX IV

Inter-American Development Bank

Multi-lateral Investment Fund (MIF) Cluster Action Plan

Website: http://www.iadb.org/mif/v2/files/propertyactionplan_eng.pdf

PROMOTING EFFECTIVE PROPERTY RIGHTS IN LATIN AMERICA AND THE CARIBBEAN

I. Background

1.2 The MIF cluster Effective Property Rights will contain from 10-12 projects that aim to improve the functioning of markets and the environment facing businesses and investors. Projects in the cluster address specific bottlenecks in the web of laws, regulations and institutions that prevent moveable and immovable property from serving as the foundation of private sector development and wealth. As part of a cluster, these projects share the same technical theme and development goals, and hence can be managed and monitored as a group. This will promote the effective and sustainable use of MIF resources, generate scale economies and foster the dissemination of project-specific information and experiences that feed into important lessons learned and best practices. These projects will be innovative, combining existing models with newer approaches to promote catalytic demonstration effects across the Region.

Breathing Life into Dead Capital

1.3 All business transactions and investment deals are based on rules of property. The rules of property determine in large part the economically useful aspects of assets. Formal rules of property enable property to be legally represented in writing (e.g. as a title, contract, security, etc.). In advanced property systems, these legal representations enable property to be used as collateral for a loan, as equity to be exchanged for an investment, as an address for collecting debts or taxes, and for many other purposes. Without functioning property rights, capital itself cannot be created, thus preventing people from pledging, leveraging (e.g. using moveable collateral, buildings or land parcels to secure loans), and moving their assets. Therefore many businesses, investors and property holders are excluded from a fundamental benefit of the market system. Housing markets, mortgages, tax collection, urban and national planning all cease to function efficiently when property rights do not function. Moreover, most market reforms cannot fully succeed where rules governing property are unclear or absent.

(source: Inter-American Development Bank, “Multi-lateral Investment Fund (MIF) Cluster Action Plan” Nd.)

APPENDIX V

The Institutional Reform and the Informal Sector Research Center University of Maryland

Website: http://www.iris.umd.edu/StaticReader.aspx/About_IRIS.htm

IRIS is a research and advisory center located in the Department of Economics at the University of Maryland, College Park.

We work to understand and facilitate economic growth and democratic development in poor and transition countries, focusing on the role of institutions — the formal and informal rules by which individuals organize economic, political, and social activity.

Research, Implementation, Strategy

In partnership with scholars, international donors, and reformers, IRIS designs and supports reform efforts, improves the delivery of foreign assistance, and promotes knowledge sharing. IRIS is widely recognized as

- A pre-eminent policy research institute on institutional reform and economic development
- An implementer of innovative reform projects in the field
- A source of strategic thinking and insight on development issues

IRIS was among the first to show that market-augmenting institutions — such as property rights and contract enforcement — are key to development and are more secure when they are embedded in democratic governance structures. Understanding how these institutions evolve and applying these insights to specific problems forms the work of IRIS's home office and field teams.

Knowledge Generation & Dissemination

IRIS seeks to generate new knowledge and insights through all of our activities. We publish books, articles, working papers, and country reports, and conduct training sessions and briefings at USAID and other development and economic institutions around the world. Some IRIS staff also teach and advise in their academic departments, as faculty members of the University of Maryland.

(source: The Institutional Reform and the Informal Sector Research Center. (University of Maryland, Nd.)).

APPENDIX VI

Lincoln Institute of Land Policy

Website: <http://www.lincolnst.edu/aboutlincoln/index.asp>

Introduction to the Lincoln Institute

The Lincoln Institute of Land Policy is a nonprofit and tax-exempt educational institution founded in 1974 to improve the quality of public debate and decisions in the areas of land policy and land-related taxation. The Institute's goals are to integrate theory and practice to better shape land policy and to provide a nonpartisan forum for discussion of the multidisciplinary forces that influence public policy. Inspired by the work of Henry George as expressed in the book *Progress and Poverty* (1879), the Lincoln Institute introduces his thinking and ideas into the contemporary land and tax policy debate to advance a more equitable and productive society. The work of the Institute is organized in three departments and two programs:

- Department of Planning and Development
- Department of Valuation and Taxation
- Department of International Studies
- **Program on Latin America and the Caribbean**
- Program on the People's Republic of China

The Institute seeks to inform decision making through education, research, dissemination of information, and demonstration projects in the United States and internationally. Our programs bring together scholars, practitioners, public officials, policy advisers, and involved citizens in a collegial learning community. The Institute does not take a particular point of view, but rather serves as a catalyst to facilitate analysis and discussion of land use and taxation issues — to make a difference today and to help policy makers plan for tomorrow.

While most programs focus on land and tax policy in the United States, the Institute recognizes the effects of the global economy and urbanization on land uses, land markets, and fiscal decentralization. **We have a special interest in Latin America and the Caribbean, where we have developed a collaborative network of scholars and public officials who work toward understanding and improving land policies in different contexts.**

The Institute offers two types of courses: executive courses and professional development courses. Executive courses, offered by invitation, present a unique opportunity for senior professionals and policy makers to learn with peers and colleagues in the areas of taxation, planning, and development. Professional development courses are available through open enrollment to practitioners, academics, and concerned citizens. Some courses are cosponsored with professional and academic associations, community-based organizations, local government agencies, and other educational institutions. In addition to the courses, the Institute supports many national and international conferences, seminars, and lectures. The Institute also has expanded the number and variety of online courses, publications, and educational resources. To ensure the continued development of innovative and professional ideas and practices, the Institute supports visiting faculty, graduate students, and professional fellows engaged in research on many aspects of land use and land-related taxation. It also publishes and disseminates the work of its fellows and faculty members.

(source: Lincoln Institute of Land Policy (Cambridge, MA: Nd))

APPENDIX VII

World Bank Country Study Policy Matrix

**Policies with short-term impact

*Policies with medium and long-term impact

Key Constraints	Policy Options
<p>1. The debt crisis and fiscal deterioration</p> <p>Revenues are already high, at 29.6 percent of GDP in 2002/03 (tax revenues 26.4 percent of GDP). Tax revenues will need to increase further in order to make the fiscal and debt situation more sustainable.</p> <p>This could be achieved if the informal sector could be better taxed and tax rates across sectors rationalized.</p>	<p>Extend tax base, rationalize taxes and reduce tertiary education subsidy</p> <p>**Reduce the disparity in tax rates across sectors.</p> <p>**Extend the tax base to include more of the informal sector by a system of presumptive taxes based on consumption indicators.</p> <p>*Levy and increase tolls on upcoming and existing infrastructure facilities.</p> <p>**Reduce subsidy on tertiary education</p> <p>*Build social consensus and buy-in for difficult, but necessary, economic policy choices.</p>
<p>2. Pervasive and high crime and violence</p> <p>Jamaica has very high rates of violent crime, including the third highest homicide rate in the world.</p> <p>Crime imposes major costs on society and business, which limit growth (see below).</p> <p>The empirical foundation for action on crime is weak.</p> <p>Crime costs society at least 4 percent of GDP explicitly, including lost production, health expenses, and public and private spending. In addition, exporting firms' security costs can be as high as 5 percent of sales, small firms' losses due to extortion, fraud, robbery and arson can be 9 percent of revenue, with an average of 3-6 percent for firms in manufacturing and distribution.</p> <p>Crime reduces the efficiency of capital use by limiting multi-shift operations, and of schooling because of closures. It results in major implicit social costs.</p> <p>The costs of crime limit growth. Some 10-20 percent of firms in the business survey suggested that they</p>	<p>Identify and measure crime better</p> <p>*Strengthen official data collection on crime, and conduct frequent victimization surveys. These would be an input for policy-making, improving policing methods, public debate and better accountability.</p> <p>Improve enforcement, increase social capital, and target high crime areas.</p> <p>*Upgrade investigative capacity of police to improve clear-up rates for violent crime, which would deter such crime.</p> <p>*Form effective partnerships between police business and local communities, by setting common goals and sharing information.</p> <p>*Build social capital such as greater trust and lower tolerance to crime and violence, especially through interventions in the home, school and workplace.</p> <p>*Target high crime urban areas, especially the Kingston Metropolitan Area to reduce the impact of crime on the business community.</p>

<p>may close down in the next three years because of crime.</p>	
<p>4. Inadequate credit access for private sector</p> <p>Jamaica quickly resolved its massive financial crisis, and strengthened financial regulation and supervision but at great cost. Jamaican Government debt is now about 45 percent of bank deposits, about twice the share of private credit. With high and relatively risk-free returns on government debt, banks have become more reluctant to lend to private firms, especially small firms and start-ups, which constrains a potentially vibrant source of GDP and export growth. In fact, with the current returns on government debt, even some current and potential entrepreneurs may become rentiers.</p>	<p>Start credit registries and improve collateral procedures</p> <p>**Reduce the demand for resources by government, which means increasing the primary surplus-see above. This will increase availability of credit for the private sector, gradually reduce interest rates, and also improve the incentives for entrepreneurial rather than rentier behavior.</p> <p>*Accelerate the startup of credit registries to improve lending quality and quantity. Registries allow financial intermediaries to lend to borrowers more likely to repay and give borrowers an incentive to repay to maintain a good credit record. Credit registries can increase access by including small borrowers and records of loan repayments as well as defaults.</p> <p>*Improve collateral procedures, perhaps by creating debt tribunals separate from the court system, as other countries have done. Lenders and businessmen have complained about the courts' handling of commercial cases.</p>

(Source: World Bank (2004), 4-6)

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